



Daily Report

China

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Daily Report

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General

Jiang Zemin Meets U.S., European Scientists

OW1207045791 Beijing XINHUA in English
0117 GMT 12 Jul 91

[Text] Beijing, July 12 (XINHUA)—Jiang Zemin, general secretary of the Chinese Communist Party (CPC) Central Committee, met and had a cordial conversation with Professor C. Rubbia, general director of the European Organization of Nuclear Research, and Professor Samuel C.C. Ting, a famous physicist from the United States, here this morning.

Present at the meeting were Song Jian, Chinese state councilor and minister in charge of the State Science and Technology Commission, and Zhou Guangzhao, president of the Chinese Academy of Sciences.

UN Organs Give Flood Relief Assistance

OW1007123191 Beijing XINHUA in English
1121 GMT 10 Jul 91

[Text] Beijing, July 10 (XINHUA)—The United Nations Development Program (UNDP) and the United Nations Disaster Relief Organization (UNDRO), have approved a sum of 70,000 U.S. dollars in emergency assistance following the flood disaster in Anhui, Jiangsu and Henan provinces of China.

According to a press release issued by UNDP today, the emergency assistance, with a UNDP input of 50,000 U.S. dollars and an UNDRO input of 20,000 U.S. dollars, was given in response to an international appeal for assistance made by the Government of China on July 6 for flood victims in the provinces.

The assistance will be used to purchase emergency relief supplies including medicines, water purification facilities, tents and blankets, and building materials.

South Commission Chairman Concludes Visit

OW1107094391 Beijing XINHUA in English
0829 GMT 11 Jul 91

[Text] Shanghai, July 11 (XINHUA)—Julius Nyerere, chairman of the South Commission and former President of Tanzania, left Shanghai by air today after concluding his visit to China.

While in Shanghai, Shanghai Mayor Huang Ju met and hosted a banquet for Nyerere.

More Trade With Developing Countries Sought

HK1107023291 Beijing CHINA DAILY in English
11 Jul 91 p 1

[By staff reporter Zhu Ling]

[Text] China plans to diversify its overseas markets to ensure the sustained growth of exports after its foreign

trade volume hit a record \$57 billion in the first half of 1991, up over 17 per cent from the same period last year, CHINA DAILY has learned.

The new programme, called the Trade Diversification Plan, is aimed at boosting China's foreign trade with developing countries in Asia, Africa and Latin America, Eastern European nations and the Soviet Union, a potentially significant arena for a major trade push, Tong Zhiguang, vice-minister of Foreign Economic Relations and Trade, said in an interview with CHINA DAILY yesterday.

Economists consider the move to be a milestone in the country's globally oriented foreign trade. The plan is also seen as another development in China's effort to play a more active role in the world economy.

The new programme includes setting up bonded warehouses in some countries for Chinese-made goods; increasing imports from the development world; opening new transport routes and encouraging Chinese enterprises and trading companies to launch joint ventures overseas.

"Our foreign trade has witnessed rapid growth since 1979. But the market is too concentrated in the industrialized countries, and this could be a kind of check on the growth of our trade in the 1990s," the vice-minister said.

He added: "We must not only consolidate and develop our existing markets in Western Europe, the United States and Japan, but also we should strive to open up new areas of foreign trade."

Sources said that China's exports to the developing countries dropped 12.7 per cent in 1990 from 1983 and its sales to the Soviet Union and Eastern European countries also have been on a downward curve. The country's exports to the European Economic Community countries, Japan, the United States and Canada as well as Hong Kong and Macao now account for 75 per cent of China's total exports.

"It is imperative for us to carry out the diversification plan to rapidly change our export-market structure," Tong said.

As a first step, the vice-minister said, China is considering setting up distribution centres for Chinese goods in Australia for re-export to South Pacific nations, and in Tunisia, to increase exports of small orders and urgently-needed products to neighbouring countries.

Goods in bonded warehouses are not usually subject to duties. China is currently drafting a plan detailing the countries that will be involved in its expansion of entrepot trade and is also planning to open retail outlets in some countries selling products made in China. There are also plans to conduct market surveys as a prelude to major trade possibilities.

"To facilitate the effort, we need to open more direct sea routes to Africa and Latin America," Tong said.

"The diversification plan is also designed to push for 'two-way traffic' as both sides could tap the full potential of their trade markets and this should gradually branch out into increased bilateral investment and the forming of co-operative ventures in both countries," Tong pointed out.

China also plans to buy more from the developing countries, especially raw materials, he said.

"Most developing countries are rich in natural resources and our two economies are very complementary," he said.

The vice-minister stressed the significance of the potential market in the Soviet Union and the Eastern European countries, saying "it is an important part of our trade diversification plan."

"We must fully tap our trade potentials based on equality and mutual benefit, and we are planning to buy more from them (the developing countries) as a vehicle to drive our products into their markets," he said.

Soviet Foreign Minister Arrives in Washington

*OW1107090291 Beijing XINHUA in English
0414 GMT 11 Jul 91*

[Text] Washington, July 10 (XINHUA)—Soviet Foreign Minister Aleksander Bessmertnykh arrived here this evening in hopes to conclude a Strategic Arms Reduction Treaty with the United States.

"This is the talks which will be dedicated to finalize the START agreement," Bessmertnykh said of his meetings with U.S. President George Bush and Secretary of State James Baker in the next two days.

"I hope that we shall make progress on that," he said upon his arrival, adding that the discussion here will also cover bilateral affairs, regional matters and the Middle East. Bessmertnykh, accompanied by Chief of General Staff General Mikhail Moiseyev and Deputy Foreign Minister Aleksey Obukhov, both experts on START negotiations, came after Bush sent a message to Soviet President Mikhail Gorbachev, urging him to "energize" the START negotiations.

According to Baker, U.S. negotiators proposed solutions to remaining problems of the START treaty during the latest round of negotiations in Geneva, but Soviet negotiators said they did not have the authority to answer, thus prompting Bush's message to Gorbachev.

Speaking of the remaining problems, Baker said at a press conference that "these are very tough issues." "They are issues that have to be resolved satisfactorily as far as we are concerned," he added.

The START treaty is reportedly 90 percent ready, but differences still remain in three areas: what constitutes a

"new type" of missile; how to account for warheads that are removed from existing missiles but not destroyed; and how to lift part of the veil around the missile flight data that each side now conceals from the other.

Bush has made the accomplishment of the treaty the precondition for his going to Moscow for summit talks with Gorbachev.

Earlier this week, Bush said the visit by Bessmertnykh was a "good sign" that the treaty might be finalized so that he could fly to Moscow at the end of this month, but he also cautioned possible failure of the upcoming talks.

"I don't want to raise the hopes of a lot of people in the United States and in other countries that want to see a START agreement. We'll wait and see," he said.

Delivers Gorbachev Letter

*OW1107210891 Beijing XINHUA in English
1459 GMT 11 Jul 91*

[Text] Washington, July 11 (XINHUA)—U.S. President George Bush received a letter from Soviet President Mikhail Gorbachev on the Strategic Arms Reduction Treaty, during his meeting with Soviet Foreign Minister Aleksandr Bessmertnykh this morning.

The Soviet foreign minister arrived here yesterday for talks which both sides hoped could lead to the settlement of remaining differences on the START treaty.

Speaking before the 15-minute White House meeting, Bessmertnykh said that "there are three major technical things to overcome and we have some ideas from the United States and we have brought some of our ideas, so we will try to merge them."

The three issues at stake are the radio data of missile flight tests to be exchanged, the number of warheads to be carried by some missiles and the definition of new missiles.

Bush, who set the accomplishment of the treaty as a precondition for his next full-scale summit with Gorbachev, said that "it is in our interest—I'm just thinking now of the United States, to have a meeting with President Gorbachev" in Moscow.

He reiterated that the issue of the START treaty had to be settled first and when asked about the chances of the treaty being wrapped up during Bessmertnykh's visit, Bush said "we don't give odds in the Oval Office."

Begins Talks With Baker

*OW1107223691 Beijing XINHUA in English
2140 GMT 11 Jul 91*

[Text] Washington, July 11 (XINHUA)—U.S. and Soviet foreign ministers began this afternoon their first round of talks here aimed at finalizing the Strategic Arms Reduction Treaty.

Before meeting at the State Department, both U.S. Secretary of State James Baker and Soviet Foreign Minister Aleksandr Bessmertnykh expressed the hope that their talks, which will continue tomorrow, could wrap up the START treaty in time for a U.S.-Soviet summit in Moscow late this month.

But Baker also cautioned that "I wish I could stand here and predict for you that we will achieve that result, I cannot."

Bessmertnykh said that "we have a chance to move to the final stage of the work and we have the position, we have the authority, and we have the will to finish the job."

The United States and the Soviet Union have spent more than eight years on negotiations of the START treaty which would slash their overall strategic nuclear weapons by 30 percent.

Although the treaty is nearly complete, three technical issues remain to be settled, concerning the radio data of missile flight tests to be exchanged, the number of warheads that some missiles are allowed to carry and the definition of new missiles.

"We have to close these three issues out if we're going to end up with a START agreement," Baker said.

New START Proposals Presented

OW1207081891 Beijing XINHUA in English
0437 GMT 12 Jul 91

[Text] Washington, July 11 (XINHUA)—The Soviet Union presented new proposals here today at the U.S.-Soviet foreign ministerial meeting designed to iron out the remaining differences over the Strategic Arms Reduction Talks (START).

After the first round of talks which lasted four and a half hours, U.S. Secretary of State James Baker said that his meeting with Soviet Foreign Minister Aleksandr Bessmertnykh "made progress on some of these issues. But there is clearly more work to do."

"Remember this," Baker said, "it always gets toughest at the end of these arms control agreements. And the last issues always seem somehow to become the toughest."

But describing the readiness of the START treaty, Baker said that "if we were 96 percent a couple of weeks ago, we're 97 percent now. But we've got to be 100 percent."

Bessmertnykh said that his team "tabled a number of new ideas on the issues to be resolved. And the working groups are now concentrating on the details of those things."

"We are hoping that they will be able to report to us tomorrow on the results of the deliberations tonight," the Soviet foreign minister said. He and Baker planned to start the second round of talks at 10:00 A.M.

The remaining issues of the START treaty are telemetry encryption, new types and downloading, which in layman's language means radio data of missile flight tests that the two sides will exchange in order to prevent cheating, the definition of new missiles and the number of warheads that some missiles are allowed to carry.

Baker said that the Soviet proposals on the issues of telemetry encryption and new types are "very meaningful and substantial".

The difficulties to finish the START treaty are a primary factor that the U.S. President George Bush has been delaying his next full-scale summit with Soviet President Mikhail Gorbachev in Moscow.

Asked whether the schedule of the Moscow summit had been discussed by the foreign ministers, Baker said: "No, that would be premature, because we have not made that kind of progress here today."

During their meeting this afternoon, Baker and Bessmertnykh also discussed a wide range of issues including Middle East peace process, Iraq's compliance with U.N. resolutions, crisis in Yugoslavia, and bilateral relations.

Bush, Kaifu Discuss Soviet Aid, Bilateral Ties

OW1107222691 Beijing XINHUA in English
2033 GMT 11 Jul 91

[Text] Washington, July 11 (XINHUA)—President George Bush and Japanese Prime Minister Toshiki Kaifu today got a chance to preview Soviet President Mikhail Gorbachev's plans for reforming the Soviet economy, including an appeal to the seven world leading industrial nations for aid.

Gorbachev's message came in a letter delivered by Soviet Foreign Minister Aleksandr Bessmertnykh when he met with Bush at the White House this morning.

After the meeting, Bush left Washington for Kennebunkport, his Maine vacation home, to have a meeting with Kaifu, one of a series of consultations with allies before the July 15-17 London summit.

Marlin Fitzwater, spokesman of the White House, said that Gorbachev sent a similar letter to the other summit partners and that it "basically discusses what he intends to say" when he meets with the seven nations' leaders in London on July 17.

The letter contained a detailed plan for reforming the Soviet economy, according to U.S. officials. Bush has sought such specifics as he is weighing whether to provide the Soviets with a major economic aid.

Fitzwater said that this morning, Bush also talked in a telephone call with British Prime Minister John Major about the upcoming London summit and the Soviet aid question. They also discussed the situation in Iraq, Fitzwater said.

Before his afternoon session with Kaifu, Bush had a luncheon meeting at his home in Kennebunkport with six experts on Soviet affairs to prepare for the London summit and his subsequent private meeting with Gorbachev.

The advisers are Ed Hewitt of the National Security Council staff, Timothy Kolton of Harvard University, Arnold Horelick of University of California in Los Angeles, Robert Legvold of Columbia University, Steven Meyer of Massachusetts Institute of Technology and Frederick Starr, president of Oberlin College.

Joint News Conference

OW1207075891 Beijing XINHUA in English
0258 GMT 12 Jul 91

[Text] Washington, July 11 (XINHUA)—Japanese Prime Minister Toshiki Kaifu and U.S. President George Bush today reaffirmed their preconditions for the Soviet Union to get major economic assistance from the West.

At a joint news conference in Kennebunkport, Maine, after talks with Bush, Kaifu said the West should support the Soviets to the "extent the correct orientation of perestroika continues or sustains."

But, the Soviets "have to indicate to us their outlook of transformation into a market economy," and "to make clear to us they will be shifting their resources away from military to civilian use," he said.

"In the context of international relations, Soviet perestroika or their new thinking diplomacy will have to be applied more broadly across the globe," Kaifu added.

At the press conference, President Bush said he had received a "rather long document" from Soviet President Mikhail Gorbachev regarding Soviet economy, and had given a copy to Kaifu in their private meetings.

But Bush said he hadn't had a chance to fully read the letter and hadn't been briefed by his advisers. The letter was delivered by Soviet Foreign Minister Aleksander Bessmertnykh when he met with Bush at the White House this morning.

Referring to the Strategic Arms Reduction Talks (START), Bush said he saw no evidence that Gorbachev has speeded up negotiations on a START agreement just for securing economic aid from the West.

"There is no truth to the matter that he is speeding up START so he can get money ... out of the economic summit meeting," Bush said.

"There is no linkage ... between conclusion of the START agreement and the question of economic aid to the Soviet Union," Bush said. "They are simply not linked. Each is important in its own right."

Touching on bilateral relations, Bush and Kaifu acknowledged they had failed to reach agreement on tough trade issues that have divided the two allies.

Bush said that while relations between the two nations are good, differences remain over agricultural issues, particularly Japan's refusal to increase its import of U.S. rice.

"We will keep working (on) the rice question and other questions," he said.

Kaifu, now under intense pressure from the Japanese farmers not to make any concessions to the U.S., said he thought the disagreement over the rice issue should be addressed in international trade talks.

At today's press conference, Bush announced he had received Kaifu's invitation and would visit Japan sometime towards the end of November.

Bush Announces Japan Visit

OW1107223091 Beijing XINHUA in English
2141 GMT 11 Jul 91

[Text] Washington, July 11 (XINHUA)—President George Bush said today he will visit Japan some time near the end of November.

Bush made the announcement at a press conference with Japanese Prime Minister Toshiki Kaifu at Kennebunkport, Maine.

"I was very pleased to firmly accept his very generous invitation," Bush said.

He said exact date will be worked out at a later date.

Massive UK Aid to USSR Not Forthcoming

OW1107214391 Beijing XINHUA in English
1836 GMT 11 Jul 91

[Text] London, July 11 (XINHUA)—British Prime Minister John Major said on Thursday the Soviet Union cannot expect large amounts of money from the G-7 summit in London next week.

Major told a pre-summit briefing at 10 Downing Street that the leaders of the top seven industrial countries were keen to talk to President Gorbachev, who will meet them after the summit on Wednesday afternoon.

They wanted to discuss his ideas for political and economic reform, and for mobilising the Soviet Union's human and natural resources, he said.

Major said Western leaders would offer technical help and advice on transforming the Soviet Union's ailing economy and explore practical ways of integrating the Soviet economy into the world economy, including associate membership to the Soviet Union of the International Monetary Fund (IMF), he said.

A framework would be established by the summit to oversee the granting of aid to help the Soviet Union's economy move towards market economy.

Major said there was also concern at the continuing high level of spending on defence by the Soviet Union.

He said there was still concern that Moscow had not observed last November's agreement on conventional weapons in Europe and transferred its tanks from the army to the navy.

The Western leaders would discuss the matter and "take them into account in considering what assistance we can offer the Soviet Union."

The G-7 summit will also discuss limits on arms sales to countries such as Iraq.

He added that the Western leaders would want to investigate ways of protecting small states from aggressive neighbours and strengthen the role of the United Nations.

Referring to the Third World's debt, Major said he hoped the summit would bring about some progress on his proposed "Trinidad terms" to give a greater international debt write-offs for the poorest nations.

Major initiated the proposal at a Commonwealth finance ministers meeting in the Caribbean last September when he was chancellor of the exchequer.

Western Dilemma Over Aid to USSR Noted

OW1107230391 Beijing XINHUA Domestic Service
in Chinese 0652 GMT 10 Jul 91

[By XINHUA reporter Huang Yong (7806 0516)]

[Text] Washington, 9 July (XINHUA)—Since May of this year, the Soviet Union has repeatedly urged Western nations to provide it with large-scale economic aid to ensure the smooth implementation of its reform program. At the same time, Gorbachev's former economic consultant Yavlinskiy and several Harvard University scholars jointly proposed the "major buying and selling" plan to aid the Soviet Union. The plan called on Western nations to provide a minimum of \$30 billion in loans and aid to the Soviet Union each year for the next 5 years on the condition that the Soviet Union implement political and economic reform according to Western wishes. Yavlinskiy and his group are currently peddling their program in Moscow and Western capitals in hopes of persuading Gorbachev and Western leaders to make said plan the basis of their discussions in their upcoming meeting.

Major Western industrialized nations reacted differently to the Soviet Union's call and the proposed "Harvard Plan." Germany, Italy, and France maintained a positive attitude; they held that as long as the Soviet Union agrees to implement reform as proposed by the West, the West should pledge hefty financial support. German Chancellor Kohl said: Providing "effective aid" to the Soviet Union is "in line with our interests." Meanwhile, Italian Foreign Minister De Michelis said that if Western

nations adopt a wait and see attitude, this would be a death sentence for Soviet reform.

This positive reaction from Germany and other Western nations on "economic aid" to the Soviet Union is not only because West Europe is the Soviet Union's biggest trading partner and because healthy development of the Soviet economy would benefit them. More importantly, these nations worry that should Soviet reform fail, its internal disorder and huge exodus of immigrants would be certain to severely affect the security and stability of its neighboring regions, including West Europe.

The United States, Japan, and Britain have been indifferent toward the proposal to provide large-scale aid to the Soviet Union. The U.S. Government, on one hand, advocated "making every possible effort" to support the Soviet Union's reform, while, on the other hand, maintained a negative attitude toward the proposal to provide large-scale financial aid to the Soviet Union. U.S. Vice President Quayle held that the Harvard Plan is "not feasible." According to U.S. Secretary of State Baker, President Bush will soon announce a package plan to assist Soviet reform; however, the emphasis will be on providing technical advice and relaxing trade restrictions on the Soviet Union. Baker also stressed that the United States will "gradually" provide aid to the Soviet Union, but only when the Soviet Union has taken practical measures in various areas, for example, in cutting back on military spending, reducing support for Cuba, tolerating Baltic independence movements, and implementing the market economy.

U.S. media holds that there are three reasons for the Bush government to oppose large-scale aid to the Soviet Union. First, Western nations face severe economic problems themselves; for instance, the United States is financially in the red and suffers from a shortage of funds for domestic social welfare spending. As such, it is unable to aid the Soviet Union even though it very much wants to. Second, it holds that the Soviet Union still does not have the political and economic structures for absorbing Western capital. It worries that aid to the Soviet Union will be a futile exercise in "pouring water into a bottomless barrel." Third, it still tires of the Soviet Union, a nation against which it struggled for many years and that is militarily on par with the United States.

The G-7 summit scheduled for London in mid-July will discuss the Soviet Union's internal situation and economic aid to the Soviet Union. The media here hold that the London meeting may make some pledges to provide technical consultation to the Soviet Union, such as agreeing to the International Monetary Fund and the World Bank according to the Soviet Union "liaison nation" status. However, due to differing Western views, it is unlikely that any agreement on large-scale aid to the Soviet Union will be reached.

Bush, Major Discuss Iraqi Nuclear Facilities

OW1207063391 Beijing XINHUA in English
0056 GMT 12 Jul 91

[Text] London, July 11 (XINHUA)—British Prime Minister John Major and U.S. President George Bush today discussed plans for bombing Iraqi nuclear weapons facilities, Downing Street officials said.

They said Major will do whatever is necessary to stop President Saddam Husayn rebuilding his nuclear arsenal.

The Pentagon has confirmed that the U.S. Air Force has selected targets for a possible attack on Iraqi nuclear sites. Up to 100 targets had been reportedly selected for strikes, perhaps later this month.

Officials said Bush spoke to Major on telephone for 15 minutes and Britain would be prepared to take part in military action.

Major and Bush were said to have agreed that "by whatever means it takes we will not allow Saddam Husayn to rebuild his nuclear capability" following the destruction of part of it during the Gulf war.

They said the government was waiting to see what assistance the U.N. inspection team in Iraq was given in its efforts to discover exactly how much nuclear material remained.

"We hope the U.N. team will succeed in its effort to discover Iraq's nuclear capability."

Meanwhile, the allies are to station a quick strike force of about 5,000 troops in Turkey to deter any moves by Iraq against the Kurds.

The force will comprise troops from the United States, Britain, France, Italy, and possibly Holland and Spain.

It will be equipped with helicopters and backed by allied air power allowing the removal of about 3,300 troops from northern Iraq fairly soon.

A Foreign Office spokesman refused to confirm that an announcement was imminent but said Saddam Husayn had to have "a clear appreciation" of what would happen if he moved against the Kurds.

Articles Examine Mideast Issue, U.S. Situation

'Correct Stand'

HK1107112891 Beijing RENMIN RIBAO in Chinese
6 Jul 91 p 6

[Article by Shi Quan (4258 2938): "Correct Stand in Settling Mideast Issue"]

[Text] Over the last 40 years, whenever a major armed conflict broke out in the Mideast, people expected that a lasting peace would follow. This is also the case with the

recent Gulf war. But various conflicts in the past failed to bring peace to the people in this region. What is the reason?

The reason is: The various conflicts in the past failed to solve the key problem, that is, the Palestinian problem, but rather further complicated the problem in varying degrees. Premier Li Peng expounded China's position on the Mideast issue on many occasions while he was in Egypt. He stressed that the occupied territories should be returned to Arab states and that the Palestinian people's legitimate national rights and interests restored. The Chinese Government's position conforms to the demands of the people in all Mideast countries, thus constituting a correct avenue to a just and reasonable settlement of the Mideast issue.

Israel and other big powers have always ignored Palestinian people's rights and interests. It is impractical to achieve peaceful settlement of the Mideast issue by bypassing the Palestinian problem. In 1982, Israeli armed forces invaded Lebanon in a bid to wipe out Palestinian guerrilla forces. What was the result? Israel was finally forced to withdraw its troops, while the struggle waged by Palestinian people in the occupied territories opened a new chapter. The year 1988 witnessed establishment of the state of Palestine. Truly, the Palestine Liberation Organization (PLO) encountered great difficulties following the Gulf war, but these difficulties are different from those they encountered in 1982. If anyone believes the Mideast issue can be settled peacefully by bypassing the PLO, this amounts to believing that Mideast history began only yesterday.

It is also unwise to call a regional peace conference ignoring the United Nations (UN). The UN resolutions 242 and 338 have been regarded by the Arab world and many other countries in the world as a basis for settling the Mideast issue. If they are set to implement UN resolutions and seek peace, why should they bypass the UN?

A country launched an invasion of another country under the pretext of "protecting national security." Such cases abounded in the past, resulting in suffering for the countries and the people involved. We should not ignore such a lesson, for which we need not look far. Israel's security must be guaranteed, but it must withdraw its troops from occupied territories. A lasting peace can only be secured through peaceful means and on a just basis.

Gulf War Aftermath

HK0907132691 Hong Kong TA KUNG PAO
in Chinese 6 Jul 91 p 2

["Political Talk" column by Shi Chun-yu (2457 0689 3768): "Aftermath of Gulf War"]

[Text]

Bush Confers Medals on Five Persons, Including Baker

On 3 July, the eve of Independence Day, President Bush personally conferred the "Presidential Medal of Freedom," the highest honor on Secretary of State James Baker; Secretary of Defense Richard Cheney; Colin Powell, chairman of the Joint Chiefs of Staff; Brent Scowcroft, assistant to the President for national security affairs; and General H. Norman Schwarzkopf, commander in chief of American military forces in the Desert Storm force, to commend them for their feats in the Gulf war.

The ceremony was held in the East Wing of the White House and broadcast live to the entire world, chiefly to spread Bush's idea in his speech at the ceremony that the Gulf war was a turning point with regard to the fate of the United States, and victory in the Gulf war has driven away the shadow cast by the Vietnam war in the minds of the American people. He also stated that the significance of the victory in the Gulf war is on a par with that of the U.S. historical winning of independence from Great Britain.

The very next day, 4 July, was Independence Day; U.S. citizens in major cities, including New York and Washington, D.C., were celebrating in high spirits to show President Bush's rising prestige and the momentum of solidarity in the United States.

Serious Aftermath in Gulf Countries

Looking at the Gulf region, however, scenes of devastation meet the eye everywhere. It has been almost a year since Iraq attacked Kuwait on 2 August 1990. The vitality of both Kuwait and Iraq has been greatly sapped. There is a wide gap between the casualty figures published by the United States and Iraq, neither being accurate. In particular, it is very difficult to estimate the casualties resulting from the Iraqi regular troops' suppression of the Kurds in the domestic turmoil inside Iraq in the wake of the cease-fire. According to the statistics of "Greenpeace," an international environmental pressure group, the total death toll for Iraq, Kuwait and the multinational troops, both soldiers and civilians, was between 155,000 and 183,000 from August 1990 to May 1991, with an average daily death toll of between 2,500 and 3,000. That was three times the average daily death toll for Vietnam, Laos and Cambodia put together during the Vietnam war. The death toll for Iraqi soldiers and civilians was between 110,000 and 130,000. That fully demonstrates what a great price Saddam Husayn has paid for invading Kuwait.

Iraq's electric power capacity has been reduced to less than 20 percent of that before the war due to the allied forces' devastating bombardment; its water supply and sewage systems are paralyzed; and its hospitals are closed. There is a food shortage, with prices skyrocketing, and epidemics of such diseases as enteritis are rampant. A U.S. Harvard research group conducted an investigation in Iraq last April, and reached the following conclusion: "As another aspect of the Gulf war

aftermath, Iraq will see a further death toll of at least 170,000 young children under the age of five."

An Urgent Need To Find Lasting Peace

Kuwait is suffering mainly from the devastation caused by Iraqi troops invading the country. Of the 600 Kuwaiti oil wells set on fire by Iraqi troops, only 183 have been extinguished, while the remaining 70 percent are burning day and night. Thick smoke conceals the sun, and the air is seriously polluted. Kuwait City has changed beyond recognition.

In the wake of an 8-year bitter war with Iran, Saddam Husayn invaded Kuwait; now he has to taste the bitter fruit of being an aggressor. However, it is the Iraqi people who are suffering most. Today, they no longer believe what Saddam Husayn says, and their resentment against Husayn is rising.

Soon it will be a full year since the Gulf war. Kuwait and Iraq are not the only countries that have suffered, for with the beginning and ending of the Gulf war, a series of violent fluctuations have taken place in the economies and financial and monetary markets of various countries. The status of the United States as "the world's sole hegemony" [shi jie yi ba 0013 3954 0001 7218] has been established with the Gulf war, while complicated changes in the world setup have taken place. How to regard the first anniversary of the Gulf war and to prevent another war in the Middle East is precisely a new topic for all countries.

Disarmament Trends Analyzed

HK1107123291 Beijing SHIJIE ZHISHI in Chinese
No 12, 16 Jun 91 pp 28-29

[Article by Hu Yumin (5170 6276 7044) and Mou Changlin (3664 7022 2651): "Analysis of International Disarmament Trends"]

[Text] The Gulf war has produced a major impact on world military affairs and affected the international disarmament process. But in a situation of East-West relaxation, the general trend of world disarmament still remains.

New Progress Likely To Appear in East-West Disarmament

U.S.-Soviet Strategic Arms Reduction Talks entered a deadlock early this year. Because no treaty was signed, the United States postponed the U.S.-Soviet summit scheduled for February. The United States and its European allies deliberately accused the Soviet Union of reorganizing three motorized infantry divisions and over 3,000 heavy weapons into the Soviet Navy's coastal defense forces to evade disarmament. The situation was delicate at that time. There were differences on the details of the treaty, apart from effects caused by the Gulf war. The Soviet Union was worried over the superiority of Western hi-tech weapons in the Gulf war and the increasing U.S. military presence in the region.

"Linking" the disarmament talks to the turbulent situation in the Soviet Union, the United States also had misgivings about Soviet domestic and foreign policies.

Despite worries on both sides, the basis for concluding an agreement still remained, namely, U.S.-Soviet relaxation. Therefore, U.S. and Soviet arms control policies did not change after the Gulf war. Both sides carried out disarmament and adjustments of their nuclear and conventional weapons according to the framework of the treaty. The new U.S. national defense report indicates that the United States will reduce its national defense budget to \$295.2 billion in fiscal year 1992, \$3.7 billion less than the last fiscal year. The United States has planned to reduce its military forces from 2.1 million to 1.6 million within 5 years, while on the other hand dismantling some military bases in the country and abroad and reducing the number of troops stationed in Europe. Troubled by its domestic political and economic situation, the Soviet Union expressed its readiness to reduce its national defense budget. After the completion of a 500,000-troop reduction, it will continue to disarm tens of thousands of soldiers. All Soviet troops stationed in East Europe will be withdrawn before 1995. To break the deadlock, Bush recently sent a letter to Gorbachev demanding "renewed efforts" from him. The Soviet Union stated that all difficulties at the talks "can be resolved." After the Gulf war, U.S.-Soviet relations changed and developed. On 1 June foreign ministers of the two countries announced that both sides had found a solution to the problems at the talks on disarmament of conventional weapons in Europe; they also instructed their countries' representatives to resolve the problems left over from the Strategic Arms Reduction Talks.

Two Problems Became More Prominent Concerning "Hot Spot" Regions

The arms race is an important factor in the outbreak of wars in the Gulf region and other parts of the Middle East. Over the last few years, half of the weapons purchased by Third World nations have entered the Middle East. Most of these weapons came from the superpowers and developed nations, and some were weapons remaining after European disarmament. Suppliers of technology and equipment for the production of chemical weapons in the region are largely Western nations. After the outbreak of the Gulf crisis, while preventing other nations from selling weapons to the Middle East, the United States "maintained a balance" in its large-scale arms sales to the region. Since last August, Saudi Arabia alone had purchased \$10-billion worth of weapons from the United States. The Soviet Union also refused to unilaterally undertake the responsibility of not providing weapons to Iraq. It pointed out that it would carry on its arms sales to the Middle East at the request of Iran and Syria. To preserve their traditional weapons markets, West European nations also competed with the United States. In addition, some small and medium-sized nations in the region stepped up their efforts for defense after the Gulf war. Israel took the opportunity for arms expansion. When purchasing

weapons from big powers, some countries also demanded "military protection" from them. Kuwait allowed the stationing of U.S. troops in the country, and Saudi Arabia agreed to U.S. storage of weapons and equipment there.

Big powers' contention for arms sales to the Middle East after the Gulf war has increased the international community's sense of urgency with regard to controlling the arms race in "hot spot" regions. Appeals are rising for stabilizing the Middle East situation by positive measures and setting up a fair and effective organization to control military trade and arms transfers. On 3 April this year the UN Security Council adopted Resolution 687 demanding "overall arms control" in the Middle East and proposing making the Middle East a nonnuclear zone. World public opinion pointed out that making the Middle East a nonnuclear zone is significant in halting the arms race in the region and stopping the proliferation of chemical weapons, missiles, and other hi-tech weapons in the region. This also corresponds with the long-term interests of the nations in the region.

Major World Countries Pay More Attention to Military High Technology

Appeals are rising around the world for arms control, but contention for military high technology is affecting disarmament at present. Thus far East-West arms control talks have still focused on limitations of weapons, instead of restricting qualitative development. The important role of hi-tech weapons in the Gulf war has encouraged many countries in the world to strive for qualitative improvement of weapons.

While deciding to reduce military expenditures, the Bush administration intended to raise expenditures for new weaponry research from \$34.55 billion in fiscal 1991 to \$39.92 billion, an increase of 15 percent. This is the only item with the largest-scale increase in the U.S. defense budget for fiscal 1992. In the next few years, the United States will continue to proceed with its plan for modernization of offensive strategic weapons and expedite the manufacture and development of land-based mobile missiles. Now the U.S. Department of Defense has already started developing new generation hi-tech weapons.

The Gulf war has made the Soviet Union seriously ill at ease about its weapons development program and the gap between its military technology and the West's. The Supreme Soviet has asked the government and the military to "formulate a new defense theory based on this war." According to a Western disclosure, the Soviet Union has not stopped its weapons modernization program. It is now researching five or six new types of missiles and is devoting its efforts to the development of strategic bombers, air-launched cruise missiles, long-range sea-launched missiles, large aircraft carriers, and new-type strategic missile submarines, as well as laser, electromagnetic, and particle-beam weapons, aiming to catch up with the West in terms of weapons quality.

In the course of developing their nuclear forces, Britain and France have also planned to devote more financial resources to building their conventional forces, with the focus on small-scale, well-equipped, and fast-responding mobile units, to cope with future wars.

This armament trend in many large countries has cast a shadow on world disarmament.

Arms Proliferation Complicates North-South Conflicts

During the last few years Western nations have raised their call for preventing the proliferation of nuclear and chemical weapons and missiles. The Soviet attitude began to change in June 1990 when it signed a joint statement with the United States on nonproliferation of weapons and a treaty on chemical weapons. Now Western nations are widely publicizing strengthening nonproliferation, the aim being, as they assert, to reduce the threat to world peace and stability. But their real purpose is to restrict Third World nations' military potential and supervise their technological capacity.

Saddam Husayn kept threatening to use chemical, biological, and nuclear weapons during the Gulf war. This provided the West with the pretext of prohibiting the proliferation of these weapons. They made more effort to coordinate their action for nonproliferation. In the latter half of March, 15 Western nations gathered in Tokyo to discuss the problem of "missiles and their technological control systems" and the expansion of the scope of control. They decided to hold another meeting in Washington in November to further discuss these problems. Prior to this, Bush proposed an "initiative for preventing hi-tech proliferation," suggesting the establishment of an international organization to exercise control and supervision over exports to Third World nations of equipment for the manufacture of nuclear, chemical, and biological weapons. In May, the "Australia Group," composed of 20 nations, including the United States, Japan, Australia, and West European countries, also concluded an agreement on imposing mandatory restrictions on the exports of chemical materials. On 16 May of this year the United States formally announced that it gave up the right to retaliate with chemical weapons, stating that the United States will destroy all 30,000 tons of chemical weapons within 10 years from the date the treaty on banning chemical weapons comes into effect. Obviously, the United States will no longer use chemical weapons as a deterrent in the course of developing hi-tech weapons. In addition, after reexamining its arms control policy, the United States decided to change its passive position at the talks on multilateral prohibition of chemical weapons by shifting the pressure onto the Third World to set up a system for nonproliferation of chemical weapons headed by the West. At present, Western nations are active in intensifying the supervisory role of the "treaty on nuclear nonproliferation" and are urging "nuclear threshold" nations to accept the International Atomic Energy Organization's protective and supervisory measures. This situation suggests that in the 1990's, reinforcing the nonproliferation system will still remain a key issue in the

arms control policy of the West. The contention over nonproliferation will become more complicated.

Prospects, Problems for North American Trade Zone

OW1107224491 Beijing Central People's Radio
Network in Mandarin 0430 GMT 11 Jul 91

[Radio script by (Wang Xiling), of the Institute of Latin American Studies under the Chinese Academy of Social Sciences: "Formation of and Prospects for North American Free Trade Zone"; from the "International News and Current Events" program]

[Text] The United States, Canada, and Mexico have made considerable progress during many rounds of protracted consultations on free trade in recent years. After the United States and Canada signed a U.S.-Canadian agreement on free trade in January 1988, U.S.-Mexican talks on free trade took a turn for the better in 1990 with the exchange of visits by the presidents of the two countries. Representatives from the United States, Canada, and Mexico held talks on creating a North American free trade zone for the first time in Toronto in June this year. The main business of the talks was to set the agenda for talks to be held in the next 18 months. If the talks are successful, the three countries are expected to form a powerful regional economic bloc, with 360 million consumers and over \$200 billion worth of trade volume, by 1993 at the latest. This will have a significant impact on the formation of a new economic order.

Why should the United States, Canada, and Mexico actively hold talks and do their utmost to promote creation of such a trade zone? There are primarily two reasons. The first is a direct internal motive aimed at accommodating the needs of economic development of the three countries. Canada and the United States are two countries with the largest bilateral trade volume in the world. Their trade volume totaled \$151 billion in 1988, outstripping that between the United States and Japan. Eighty percent of Canadian exports, or about 25 percent of Canada's gross national product, were shipped to the United States. However, Canadian exports have suffered since the United States adopted over 50 protectionist measures against the country in the 1980s. Hence, Canada considers it a significant move to counter growing U.S. trade protectionism as a way of enabling large quantities of its goods to enter the U.S. market. This is the largest motive force propelling Canada in recent years to actively develop its relations and hold free trade talks with the United States.

Mexico has long been inextricably involved in a special relationship with the United States. It is more dependent on the United States than is Canada. The United States represents 63 percent of total foreign capital in Mexico. The figure accounts for three-fourths and two-thirds of

U.S. imports and exports, respectively. After overcoming its economic crisis through 8 years of readjustment and reform, Mexico needs to export large quantities of its goods to the U.S. market and to attract American capital in order to plan for the steady development of its economy. Hence, it advocates balanced trade and financial relations with the United States and also actively promotes free trade with the latter.

As for the United States, huge trade and budget deficits have continuously plagued its economy in recent years. Besides, the United States has been in an economic recession since 1989. It plans drastic budget cuts in the next few years. Budget deficits will further retard its economic growth. These problems have forced the United States to place primary emphasis on efforts to redress the imbalance between its imports and exports and to cut its budget deficits. Therefore, it badly needs coordination from the other countries in opening their markets. The United States has attempted to develop bilateral trade on a priority basis after it encountered difficulties in settling agricultural, labor, and intellectual property rights issues, which are vital to its interests, at the multilateral round of GATT talks. In so doing, it has first turned its attention to neighboring Canada and Mexico.

The second is an external motive propelling North American free trade as a result of intensified efforts to form blocs in the world economy. The momentum toward forming economic blocs, with Japan as the center, has intensified remarkably since the beginning of the 1990s. The United States took the initiative in proposing a North American free trade zone to retain its leading status as a superpower in the fast-changing world economic order. An alliance thus formed in the future will provide the United States and Canada with a vast market worth over \$5 trillion. In terms of output value and labor productivity, that market will be respectively 10 percent and 15 percent bigger than the U.S. and EC markets. With Mexico's participation, the economic might of such an alliance is certain to surpass that of Europe and Japan.

Because of drastic political changes in some European countries, Canada and Mexico worry that West Europe and Japan will divert their investment and assistance from Latin America to some European nations—a move that will affect the sources of their exports, imports, and capital. To bolster their strength and gain an optimum foothold in the future economic order, they are determined to develop their relations and expedite talks with the United States to quicken the pace of forming a North American free trade zone.

The above analysis indicates that the creation of a North American free trade zone has become an irreversible development. As for prospects for such a development, the United States and Canada are expected to form an integrated market for investment, trade, banking, and labor in 1992. The United States and Mexico will be able to reach a formal agreement on free trade. Through a

string of readjustments of foreign trade, taxation, and labor policies, trilateral relations among the United States, Canada, and Mexico will enter a new phase of development, resulting in the formation of a vast North American market worth \$6 trillion. This will have a significant and positive impact on economic development in the three countries.

After the United States abolishes all its customs tariffs in three stages over the next decade, bilateral trade between the United States and either of the other two countries is expected to grow substantially. U.S. exports to Canada will increase \$2.4 billion annually, while Canadian exports to the United States will rise \$1.1 billion. By 1999, the U.S. and Canadian economies will have grown 1 percent and 5 percent, respectively. The United States and Mexico can expect to double their bilateral trade before the end of the 20th century, after Mexico becomes a partner in U.S.-Canadian free trade and is able to export its products freely to American and Canadian markets and import capital and technology from those countries. This will give a powerful impetus to Mexico's economic development.

Nevertheless, the United States, Canada, and Mexico will still encounter all kinds of resistance and obstacles during their talks and in the process of building a North American free trade zone, because of their current disparities in the extent of industrialization and the level of economic development. The industrial and commercial structure and level of Mexico are relatively inferior and low. They cannot compete with those in their rivals, the United States and Canada. Mexico worries about the impact on its national economy of the entry of large quantities of American and Canadian goods into its market; in particular, it is afraid of becoming a U.S. vassal.

Labor-intensive industries in the United States have been on a decline. The United States worries that cheap Mexican labor will erode the competitiveness of its products. U.S. labor agencies also worry that large numbers of American workers will lose their jobs. As for Canada, it will also experience problems in marketing, capital, technology, and employment, because its situation is somewhere between those of the United States and Mexico. Currently, it is groaning under the enormous pressure of factory closures and unemployment caused by corporate mergers after it engaged in free trade with the United States.

Precisely because of these problems, the United States, Canada, and Mexico must definitely surmount all kinds of difficulties and eliminate unfavorable factors if they want to make smooth progress in creating a North American free trade zone and to ensure normal operations of the zone.

'Roundup' Views Uruguay Round Negotiations

OW1107224891 Beijing XINHUA Domestic Service
in Chinese 0303 GMT 8 Jul 91

["Roundup" by reporter Zhang Xichun (1728 6932 4783): "When Will Disagreements at the Uruguay Round End?"]

[Text] Beijing, 8 July (XINHUA)—Half a year has passed since the multilateral trade negotiations of the GATT (also known as the Uruguay Round) bogged down in a deadlock in December 1990. The talks, however, have been held without effective results and, as of now, have not made any substantive progress. The situation shows that it will be hard for the talks to yield any results unless relevant parties make mutual compromises and concessions.

The multilateral trade negotiations, in which 107 countries and regions participated, began in September 1986 and were scheduled to end in December 1990. However, the Keynes group, led by the United States and Australia on one side and the European Community and Japan on the other, have found differences on agricultural product subsidies and opening of the rice market too big to bridge. Consequently, the talks were forced into suspension.

The focus of the differences was as follows: The United States and other countries required the European Community to reduce its production subsidies for agricultural products 75 percent and reduce its export subsidies 90 percent during the decade beginning in 1991. The European Community advocated a 30 percent reduction in overall agricultural subsidies during the decade beginning in 1986. The United States also insisted that Japan open its rice market. Japan, however, maintained that making special arrangements for basic grain was imperative. For a long time it was unwilling to make any commitment to the request that the rice market be opened.

In order that the negotiations would not fail, Arthur Dunkel, GATT director general, held separate talks with opposing parties in early February 1991, but to no avail.

The GATT negotiations committee held its first meeting in months on 25 April. The meeting, however, only readjusted specific negotiating organizations by reducing the original number of 15 negotiating groups to seven. It did not discuss some of the major contradictory issues. It asked the seven negotiating groups to begin work in the middle of May and expressed the hope that they would make realistic progress before their recess in August.

The reasons why the multinational trade negotiations have been deadlocked in recent months are as follows: Participants were unwilling to make unilateral concessions on agricultural product trade, which involved major interests of relevant countries. Another reason was that power over special trade negotiations granted to the U.S. President expired on 1 March. The new authorization had yet to be approved by the U.S. Congress. Until

new authorization was granted by Congress, it would be impossible for the U.S. Government to take responsible actions in the negotiations. Therefore, other countries could only wait and see.

According to recent developments, the position of the European Community and Japan on agricultural issues has relaxed somewhat. The European Community has held many discussions reforming its agricultural policy and decided on 24 May that most of its agricultural product prices for 1991-92 would be frozen at the previous year's level. During his visit to Japan in late May, Delors, chairman of the European Community Council, indicated that the European Community might make concessions on agricultural issues but expressed the hope that the United States would also make some concessions. He specifically said that the share of the international grain market released by Europe must be filled by developing countries, and not be enjoyed by U.S. farmers. Otherwise, the European Community would not make any concessions.

The Japanese Government has also expressed its willingness to open its rice market within certain limits but stressed that the United States, Europe, and Japan should all make mutual concessions. According to sources, Japan was very displeased with a bill signed by the U.S. President abolishing the ceiling on U.S. export subsidies for agricultural products. Japan felt that this measure would escalate the war on export subsidies for agricultural products. As revealed by a report in Japan's TOKYO SHIMBUN on 14 June, it was generally held within the Japanese Government that "as long as the United States does not make concessions to the European Community and Japan, it will be impossible to reach agreements within this year."

As shown in the U.S. attitude, it has been pursuing a high-handed policy toward its trading partners on issues like agricultural negotiations. The United States has repeatedly urged its trading partners to expedite the Uruguay Round since late May, when the U.S. Congress passed a resolution extending the authorized power on special trade negotiations to the U.S. President for 2 years. In her speech at an annual ministerial meeting on organizations for economic cooperation and development on 4 June, Carla Hills, the U.S. trade representative, reiterated the U.S. stand on various specific negotiations at the Uruguay Round, urging substantive agreements in the talks on agriculture, services, and access to markets before 31 July and expressing the hope that the talks would be completed at the end of the year. Recently, the U.S. Government even formally notified the Japanese Government that it intended to list complete opening of the rice market as one of the agendas in the Japanese-U.S. summit on 11 July, thus pressuring Japan to make further concessions on this issue. The Japanese public is deeply dissatisfied by this.

As the United States, Europe, and Japan could not alleviate or solve their conflict of interests, the Uruguay Round repeatedly bogged down in deadlocks and could

not make any substantive progress. At present, the relevant parties have indicated their willingness to push the talks forward and have put it on the agenda of the upcoming G-7 summit. International public opinion, however, is concerned about the ability of the United States, Europe, and Japan to coordinate their opposing stands and specifically resolve existing contradictions.

Egypt's Ghali Optimistic About UN Post

*OW1107210991 Beijing XINHUA in English
1607 GMT 11 Jul 91*

[By Jiang Yaping]

[Text] Cairo, July 11 (XINHUA)—Deputy Premier for Foreign Affairs Butrus Ghali today expressed optimism on his nomination for the U.N. chief post, saying he would do his best to bid for the post.

"Egypt has a real chance to have its candidate accepted by the U.N. Security Council" as it has played an important role in international affairs and we will do our best to make maximum contacts with other countries of the world to enlist support for Egypt's candidature, Ghali said at a press conference here focusing on his nomination for the U.N. chief post.

Egypt on Sunday nominated experienced diplomat Ghali for the post of U.N. secretary-general. The current U.N. secretary-general Javier Perez de Cuellar will end his second term by the end of this year and a dozen of well-known dignitaries in the world have made bids for the post.

Ghali said the African countries have recently formed a committee comprising six heads of state including Egypt to decide on a list of African candidates for the U.N. chief post. The Organization of African Unity will then submit the list to the U.N. Security Council which in turn will have a final say on who will be the last candidate for the next U.N. chief.

"I hope I will be among the list," Ghali said.

The African continent may present a list of five or six candidates to the U.N. so that an African nominee can be chosen by the Security Council, Ghali said.

He cited the geographic factor as important this time for an African. So far three Europeans, one Asian and one Latin American have taken the post since its founding in 1945. But African and Arab countries have had none.

People competing for the post include former Soviet Foreign Minister Eduard Shevardnadze, former British Prime Minister Margaret Thatcher and former U.S. President James Carter. Several VIPs from Africa also joined the competition.

Ghali said if he were chosen to be the U.N. chief, he would try hard to promote South-South cooperation as this is the prerequisite of better relations between the North and the South.

In the past 45 years, the United Nations was dominated by cold war between the East and West, and in the next several decades, the world body should be preoccupied by the problem of North and South relations and it can play a major role in this field, the Egyptian official noted.

Meanwhile, President Husni Mubarak sent messages today to the leaders of the five permanent Security Council member states, informing them of Egypt's decision to nominate Ghali for the U.N. chief post, the Egyptian MIDDLE EAST NEWS AGENCY MENA said.

Born in 1922 in Cairo, Ghali had been a professor of international law and international relations between 1949 and 1977. He was appointed minister of state for foreign affairs in 1977 and promoted to deputy premier for foreign affairs in 1991.

United States & Canada

Daily Criticizes U.S. MFN, Arms Stances

*OW1207054691 Beijing XINHUA in English
0521 GMT 12 Jul 91*

[Text] Beijing, July 12 (XINHUA)—The Chinese leading newspaper, the PEOPLE'S DAILY [RENMIN RIBAO], carried a signed article today, attacking recent United States accusations of Chinese arms sales and the threat to cancel most-favored-nation [MFN] status for China.

The article, entitled "Look at Yourself in a Mirror Before Accusing Others", also provided a lengthy list illustrating U.S. arms sales since the early 1980s.

In a strongly-worded editorial note in the lead of the article, the paper charged that some politicians in the U.S. were proposing to control Chinese arms sales by threatening to cancel MFN status for China.

The following are extracts from the editorial note and the list on U.S. arms sale since the early 1980s:

Recently, when the U.S. parliament was debating renewing MFN status for China, someone made a lot of comment on the so-called Chinese arms sales, stirring up uproar, time after time.

A few most influential U.S. newspapers devoted much space to publishing stories and commentaries, alleging that Chinese arms sales plans "have posed a threat to U.S. strategy". They even urged the U.S. Administration to adopt a policy of "carrot plus club" (an incentive plus a threat) against China, in order to control Chinese arms sales by cancelling MFN status for China.

As soon as such an opinion was announced, there was an immediate public outcry.

However, we wonder why you gentlemen from one of the world's largest arms exporters only accuse others? Why don't you look at yourself in a mirror first?

We published this story today with more information on U.S. arms sales; let's see who in the world should first control arms sales.

Since the beginning of the Second World War, the United States has been one of the largest producers and exporters of weapons and ammunition in the world.

According to statistics from the United Nations first commission, in the five years between 1980 and 1984, U.S. arms exports totaled 27.66 billion U.S. dollars, which ranked first in the world and accounted for 39.7 percent of the world's total arms turnover during the five years.

Statistics from the International Peace Research Institute of Sweden said the turnover of the world's conventional arms trade in 1986 totaled 31.46 billion U.S. dollars, but the U.S. sales alone was 10.4 billion U.S. dollars, also ranking first in the world.

In 1987, the world's arms exports totaled 35.2 billion U.S. dollars, in which the U.S. sales was 11.54 billion U.S. dollars, ranking second in the world.

A report from the research body of the U.S. parliament conceded that in 1988, the U.S. arms sales to the Third World soared by 66 percent to 9.2 billion U.S. dollars, again ranking number two in the world.

In 1989, as the global arms sale to Third World countries plummeted by half, the U.S. also reduced arms exports to those countries, from 9.3 billion U.S. dollars in 1988 to 7.7 billion U.S. dollars in 1989. But this figure still accounted for 26 percent of the world's total of arms exports and was the second largest in the world.

Reports said the U.S. planned to sell weapons and ammunition worth 30 billion U.S. dollars in 1990, including fighter jets, radar command systems, rockets, missiles and tanks.

As a major destabilized and hot spot of the world, the Middle East has been a key destination for U.S. arms exports. Between 1982 and 1986, the U.S. exported to Israel weapons and ammunition valued at 3.7 billion U.S. dollars, while selling arms worth more than 10 billion dollars to other countries in the region, reports said.

During the eight-year long Iran-Iraq war, the U.S. sold Iraq 15.5 billion U.S. dollars worth of weapons and ammunition and exported to Iran arms totaling 8.2 billion U.S. dollars.

When the Gulf crisis started last year and during the Gulf war, and ever since the end of the war, U.S. arms sales to the Middle East has been unprecedentedly brisk.

The U.S. produced on May 29 a plan for arms control in the Middle East and exerted pressures on other countries to stop selling weapons and ammunition to the region; but only one day later, it agreed to provide Israel with weapons and ammunition worth 700 million U.S. dollars.

In June, the U.S. announced a new plan for selling to five Middle East states large quantities of up-to-date weapons, including fighter planes, attack helicopters, tanks and pieces of artillery. The turnover is expected to reach between 18 billion and 24 billion U.S. dollars.

And reports said that beginning in 1992, Middle East countries planned to increase their purchases of weapons and ammunition from the U.S., and the increased turnover was expected to reach 33 billion U.S. dollars.

U.S. Announces Military Sales to Saudi Arabia

*OW1207080791 Beijing XINHUA in English
0501 GMT 12 Jul 91*

[Text] Washington, July 11 (XINHUA)—The Pentagon formally notified the Congress today that it is to sell Hum-Vee military vehicles to Saudi Arabia and to provide contractor services for the Saudi fleet of AWACS [AIRBORNE WARNING AND CONTROL SYSTEM] command and control airplanes and tanker aircraft.

The Saudis are to buy 2,300 Hum-Vee vehicles, the successor to the jeep, as part of a 123 million dollar package that includes spare parts, support equipment and a U.S. training team.

The Pentagon announcement said Saudi Arabia "needs these vehicles to help modernize its armed forces and to provide an all-terrain mode of transportation for its ground forces."

The Hum-Vee vehicles, made by the Arm General Division of LTV Corp., is a 1 1/4-ton, four-wheel-drive vehicle that can be used to carry troops or munitions and can be affixed with a tow anti-tank missile launcher.

In a separate deal valued at 350 million dollars, the Saudis agreed to buy Boeing Co. support services for their existing fleet of E-3A airborne early-warning and control aircraft, or AWACS, and their KE-3 aerial refueling tanker aircraft, the Pentagon said.

Boeing Co., which made the five AWACS and eight KE-3 tankers in the Saudi fleets, is to provide maintenance, personnel training and an expansion of support staff at Saudi air bases "to ensure continued operational readiness" of the specialized airplanes, the Pentagon said.

Boeing Co. has been servicing the AWACS planes since Saudi Arabia bought them in 1981.

The planned sales are the latest in a series of U.S. deals with Middle Eastern countries announced by the Defense Department since the end of the Gulf War.

Some in the Congress are pressing for a complete U.S. cutoff of arms sale to the Middle East in the wake of the Gulf war but the U.S. Administration says it will continue selling items that meet the legitimate security needs of friendly nations.

The Congress can reject either of the deals if both houses pass a resolution against them within 30 days.

U.S. Experts at Workshop on Water Supply

OW1107222991 Beijing XINHUA Domestic Service in Chinese 1228 GMT 10 Jul 91

[Text] Beijing, 10 July (XINHUA)—A meeting on technical exchange in automatic water supply and drainage in 1991 opened in Beijing today. Several experts from the United States and their Chinese colleagues are exchanging the latest techniques on automatic water supply and drainage.

The two-day workshop is cosponsored by the Sun International Group and Ailun-Budelali Company in Xiamen. At the workshop, U.S. experts will give lectures on automatic control of water supply and sewers through engineering design, instrument control, machines, and computer networks. Scores of Chinese engineers and technicians are attending the workshop.

Northeast Asia

Reportage on PRC-DPRK Treaty Anniversary

'Text' of Leaders' Greeting

SK1207084591 Beijing Radio Beijing in Korean 1100 GMT 10 Jul 91

[Text] Comrade Jiang Zemin, general secretary of the Central Committee of the Communist Party of China [CPC]; Comrade Yang Shangkun, president of the PRC; Comrade Wan Li, chairman of the Standing Committee of the PRC National People's Congress; and Comrade Li Peng, premier of the PRC State Council, today sent a message of greetings to Comrade Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea [WPK] and president of the DPRK, and Comrade Yon Hyong-muk, premier of the DPRK State Administration Council, on the occasion of the 30th anniversary of the signing of the PRC-DPRK Treaty on Friendship, Cooperation, and Mutual Assistance.

The full text of the message reads:

Pyongyang, Comrade Kim Il-song, general secretary of the WPK Central Committee and president of the DPRK; Comrade Yon Hyong-muk, premier of the DPRK State Administration Council:

On the occasion of the signing of the 30th anniversary of the PRC-DPRK Treaty on Friendship, Cooperation, and Mutual Assistance, we, in the name of the CPC, the Government of China, and the Chinese people, send our warmest congratulations and best wishes to you and, through you, to the WPK, the Government of Korea, and the fraternal Korean people.

The signing of the PRC-DPRK Treaty on Friendship, Cooperation, and Mutual Assistance was an event of great significance in the history of friendly relations

between China and Korea. Over the last 30 years, the governments of our two countries have strengthened and developed the traditional friendly relations between the peoples of the two countries, supporting each other and closely cooperating in broad domains—political, economic, and cultural—according to the spirit of this treaty.

As shown, this treaty has overcome the trials of the intricate changes of the international situation and proven that it has strong vitality.

We are pleased that the diligent and wise Korean people, under the leadership of their great leader President Kim Il-song and the WPK, have attained brilliant success in socialist construction, waging a struggle for the prosperity, wealth, and power of the country on their own.

The party and Government of Korea have been strengthening and developing their friendly and cooperative relations with the peoples of many countries with each passing day. The situation on the Korean peninsula in recent years have been developing in a direction favorable to the people and detente. This is the accomplishment achieved by the constant efforts of the party and Government of Korea.

China and Korea share the mountains and rivers connecting them and have a lips and teeth relationship. Common destiny and ideals closely connect the peoples of our two countries. The party, government, and people of China are very pleased and satisfied that the PRC-DPRK friendship is steadily developing, and will make every effort, as they have done in the past, to strengthen and develop these friendly relations.

We truly wish the DPRK prosperity, wealth, and power, and wish that the PRC-DPRK friendship will develop with each passing day and last forever.

[Signed] Jiang Zemin, general secretary of the CPC Central Committee; Yang Shangkun, president of the PRC; Wan Li, chairman of the Standing Committee of the PRC National People's Congress; and Li Peng, premier of the PRC State Council

[Dated] Beijing, 10 July 1991

Wang Zhen, Qin Jiwei at Banquet

OW1207103691 Beijing Central People's Radio Network in Mandarin 0930 GMT 10 Jul 91

[From the "National Hookup" program]

[Text] Chu Chang-chun, the DPRK ambassador to China, held a banquet at the embassy this evening to celebrate the 30th anniversary of the signing of the Sino-Korean treaty of friendship, cooperation, and mutual assistance. Vice President Wang Zhen; Qin Jiwei, state councillor and defense minister; Zhu Liang; Ai Zhisheng; and other responsible persons of the relevant departments of the party, the people's government, and the People's Liberation Army attended the banquet.

They celebrated the common festival of the peoples of China and the DPRK together with the Korean comrades. Yi Cha-pang, member of the Korean Workers Party Central Committee and chairman of the Korean-Chinese Friendship Association, and his delegation, which traveled to Beijing specially to participate in the festive activities, also attended the banquet.

Ambassador Chu Chang-chun and State Councillor Qin Jiwei made their respective speeches at the banquet amidst an air of warmth and friendliness. In their speeches, they warmly hailed the friendly cooperative relations between the parties, the nations, and the peoples of China and the DPRK established on the basis of Marxism-Leninism and international proletarianism, and they hoped that such relations will be further strengthened and developed.

Envoy Holds Banquet

OW1207080091 Beijing XINHUA in English
0713 GMT 12 Jul 91

[Text] Pyongyang, July 11 (XINHUA)—Chinese Ambassador to Korea Zheng Yi gave a banquet here today in Chinese Embassy to celebrate the 30th anniversary of the signing of the Sino-Korean treaty of friendship, cooperation and mutual assistance.

Zheng Yi said at the banquet that since the signing of the treaty, the friendly relations between China and Korea have been developing in both depth and range. This is of important significance to the maintenance of peace in Asia and the rest of the world, he added.

Choe Kwang, Politbureau member of the Korean Workers' Party (KWP) Central Committee and the chief of General Staff of the People's Army, stressed at the banquet that the Sino-Korean friendship has withstood the historic tests.

He said that Korea is proud of the great vitality of the Sino-Korean friendship.

Also present at the banquet were Korean Vice President Yi Chong-ok, Vice Premier and Foreign Affairs Minister Kim Yong-nam and other state or party leaders.

DPRK Submits UN Membership Application

SK1107124491 Beijing Radio Beijing in Korean
1100 GMT 10 Jul 91

[Text] According to an announcement by a UN official on 9 July, DPRK Foreign Minister Kim Yong-nam, in a recent letter to UN Secretary General Perez de Cuellar, said that the DPRK officially has submitted an application for membership to the United Nations.

It has also been learned that South Korea will submit an application for membership to the United Nations in August.

DPRK Premier Urges Contacts With South

OW1107210791 Beijing XINHUA in English
1457 GMT 11 Jul 91

[Text] Pyongyang, July 11 (XINHUA)—Yon Hyong-muk, premier of the Democratic People's Republic of Korea (DPRK), today proposed to South Korean authorities to resume the inter-Korea high-level talks suspended for over seven months.

In a telephone message to South Korean Prime Minister Chong Won-sik, the DPRK premier said the high-level talks proceeded with good intentions and its prospects were bright although it was tortuous, Radio Pyongyang reported.

He said the DPRK had in the past talks put forward reasonable proposals for the peaceful reunification of Korea, but the South side actually avoided discussing fundamental issues, such as the signing of a nonaggression treaty and went on with the "Team Spirit 91" joint military exercises with U.S. forces, so the talks could no longer continue.

The DPRK premier and his South Korean counterpart started in September 1990 the high-level talks, the highest inter-Korean dialogue since the peninsula was divided into two parts at the end of World War Two.

Premier Yon Hyong-muk stated, "although the South side cannot be considered to have a sincere stand and stance to solve the question of peace of the country and its reunification through dialogue, we, having considered the desire of the entire Korean nation for peace and reunification, decided to give it one more chance to sit with us."

"Hence we propose you to have the fourth North-South high-level talks in Pyongyang from August 27," he added.

Zhu Liang Talks With Japanese Delegation

OW1107121191 Beijing XINHUA in English
1131 GMT 11 Jul 91

[Text] Beijing, July 11 (XINHUA)—Zhu Liang, member of the Chinese Communist Party (CPC) Central Committee and head of the International Liaison Department of the CPC Central Committee, met with a delegation from the Japan Liberal Democratic Party (LDP) at the Great Hall of the People here this evening.

During the meeting, they exchanged views on friendly relations between the two parties and on international situation.

The exchange of visits between the CPC and the LDP started last year.

The delegation headed by Hatoyama Kunio, director of the LDP International Affairs Bureau and member of the House of Representatives, arrived here today on a visit

at the invitation of the International Liaison Department of the CPC Central Committee.

The delegation is the first from the LDP to visit China at the invitation of the CPC.

Sino-Japanese Technology, Trade Conference Ends

OW1207101991 Beijing XINHUA Domestic Service in Chinese 1108 GMT 10 Jul 91

[Text] Tokyo, 10 Jul (XINHUA)—The 2-day second Sino-Japanese technology and trade consultative conference ended here today.

During the course of the conference, both sides frankly exchanged opinions on the situation and problems in the Sino-Japanese technology trade, and explored measures to resume and develop the technology trade.

Both sides unanimously agreed that the governments of the two countries should hold periodic meetings to exchange opinions, establish routine level administration organs to solve problems in a timely manner, and promote nongovernmental exchanges, in order to stimulate the development of Sino-Japanese technology trade.

At the end of the conference, both sides signed a summary of the minutes of the conference.

Zhang Xuming, director of the Technology Import and Export Department of the PRC Ministry of Foreign Economic and Trade Relations; Sakutaro Tanino, chief of the Asian Affairs Bureau of the Japanese Foreign Ministry; and others attended the conference as representatives of their respective countries.

Ceremony Celebrates Japan-China Trade Association

OW1007204091 Beijing XINHUA in English 1342 GMT 10 Jul 91

[Text] Beijing, July 10 (XINHUA)—The Japan-China Economy and Trade Association was set up here today.

The association is a legal person aimed at promoting its members' economic exchanges in trade with and investment in China, and promoting the friendship between the two countries.

Director of the association Takayuki Nakato said at today's founding ceremony that the establishment of the association symbolized the success of China's open policy.

He hoped that the association would promote the development of Japanese economic and trade relations with China.

Zheng Hongye, chairman of the China Chamber of International Commerce, and officials from relevant Chinese Government departments attended today's founding ceremony to express their congratulations on the establishment of the association.

Zheng assured the association of his cooperation and support, saying that he believed the association would be beneficial for the development of Sino-Japanese economic relations.

At present there are 400 representative offices of Japanese enterprises in Beijing, and 314 of them are members of the association.

In the meantime, the association announced here today that it has donated 10,000 yuan to help flood victims in Beijing's Huairou County.

Mongolian Official Meets Justice Delegation

OW1107211391 Beijing XINHUA Domestic Service in Chinese 0228 GMT 10 Jul 91

[By reporter Li Jiahao (2621 0163 1170)]

[Text] Ulaanbaatar, 9 July (XINHUA)—Dambyn Dorligiab, assistant to the prime minister of the Mongolian Government [title as received], met with a Chinese judicial delegation on 9 July. The delegation was headed by Chinese Vice Justice Minister Guo Dezhi. At the meeting, Dorligiab said Mongolia admired China's taking its own course of development according to its national condition.

Dorligiab said: As each country has its national condition, Mongolia formulates its principles and policies according to the realities in the country, a way that conforms with the interests of our country and people. We thank China for its respect and understanding of Mongolia's choice. Developing ties with China is of great importance to Mongolia. We hope to step up exchanges and cooperation between the judicial circles of the two countries.

The Chinese judicial delegation arrived in Mongolia on 3 July at the invitation of the Mongolian Ministry of Justice. During the visit, the two sides signed a protocol on cooperation between the Chinese and the Mongolian Justice Ministries. The delegation will conclude the visit on 10 July.

Near East & South Asia

Li Peng Ends Saudi Visit, Arrives in Syria

Crown Prince Hosts Banquet

OW1107180491 Beijing XINHUA Domestic Service in Chinese 2346 GMT 10 Jul 91

[By reporter Yang Mu (2799 2606)]

[Text] Jeddah, 10 July (XINHUA)—Saudi Arabian Crown Prince 'Abdallah, who is also the first deputy prime minister, hosted a banquet at his official residence this evening to welcome Chinese Premier Li Peng.

The crown prince and Premier Li Peng shook hands with leading officials from the two countries at the center of the reception hall.

Among those invited to the banquet were male members and staff of Premier Li Peng's entourage. Attending the banquet from the Saudi side were Second Deputy Prime Minister Sultan, other princes, cabinet ministers, and senior officials of the army and national guard.

There were no speeches at the banquet, only chatter and laughter among the some 200 attendees. The banquet lasted 50 minutes.

Visits Desalination Plant

OW1207110091 Beijing XINHUA Domestic Service
in Chinese 1344 GMT 11 Jul 91

[By reporter Tang Jichan (0781 4949 6363)]

[Text] Jeddah (Saudi Arabia), 11 Jul (XINHUA)—After visiting the Jeddah desalination plant, Chinese Premier Li Peng wrote an inscription in the souvenir book, which reads: "Utilizing Modern Science and Technology for the Benefit of the Saudi People."

This morning, under thoughtful arrangements of the host, Premier Li Peng and his aides visited the Jeddah desalination plant, which is managed by the Saudi Desalination and Electric Power Corporation, and the Jeddah Islam Port, the largest in the Middle East.

Premier Li Peng and his entourage arrived at the Jeddah desalination plant soon after 1000. On behalf of the management of the corporation and its 6,000-odd staff members and workers, a responsible person of the Saudi Desalination and Electric Power Corporation greeted Premier Li Peng. Briefing Premier Li Peng, the responsible person said: Desalination industry in Saudi Arabia has a history of 20 years. At present, there are 15 desalination centers nationwide with 20 desalination plants. Saudi Arabia is acknowledged as a country having the largest desalinating facilities in the world.

Then, the Jeddah desalination plant manager briefed Premier Li on the plant's technological process, production capacity, and cost. He said: At present, two major methods of desalination are in use throughout the world, namely, the distillation and the permeability and analysis method. Applying the former, the Jeddah desalination plant is capable of desalinating 90 percent of fresh water consumed by residents of Jeddah City. Electric power that is simultaneously generated by the plant in the desalination process accounts for 30 percent of the electricity consumed in the city.

Premier Li Peng attentively heard briefings given by the two responsible persons, nodding at times in appreciation. As an expert in electric power himself, Premier Li raised technical questions every now and then, which received high appreciation from the responsible persons of the plant.

Later, Premier Li and his party were driven to the modern Jeddah Islam Port, which sits on an area of five square km. National flags of the People's Republic of China and Saudi Arabia flying over major buildings around the port today fully demonstrate the friendly relations between the two countries.

Accompanied by the responsible persons of the port authority, Premier Li visited the port facilities, including goods yards for containerized and piece cargo shipping, and transportation by vehicles, as well as granary. Again, guided by the host, Premier Li and his party ascended the 135-meter-high lookout tower of the port. Viewing the Red Sea through a window, Premier Li praised the achievements of the Saudi people in recent years.

In the sitting room at the fourth floor of the lookout tower, and in response to invitation by the host, Premier Li inscribed the souvenir book with the following: "Jeddah Port is the most advanced modern port in the world. It is hoped that it will play its role in developing the friendly and cooperative relations between China and Saudi Arabia."

Joint Communiqué

OW1107204891 Beijing XINHUA Domestic Service
in Chinese 1640 GMT 11 Jul 91

["Text" of Sino-Saudi Joint Communiqué issued in Jeddah on 11 July]

[Text] Jeddah, 11 July (XINHUA)—At the invitation of King Fahd Bin-'Abd-al-'Aziz al Sa'ud of the Kingdom of Saudi Arabia, Li Peng, premier of the PRC State Council, paid an official visit to the Kingdom of Saudi Arabia from 9 to 11 July 1991.

During the visit, Premier Li Peng and King Fahd held formal talks on various aspects of bilateral relations, exchanged views on international and regional issues of common interest, and reached a broad consensus.

The two sides expressed great satisfaction with relations between the two countries since diplomatic relations were established a year ago. They also explored ways to develop effective cooperation in various spheres. They unanimously maintained that it is important for the two countries to sign an agreement on economic, investment, and technological cooperation at the earliest possible date.

Both sides indicated that it is important for the two countries to hold consultations and exchange visits by their leaders in order to strengthen friendship and contribute to world peace. For the sake of the well-being and progress of the two peoples, the two sides reiterated their willingness to develop relations between the two countries and their leaders as well as to strengthen mutual understanding. Premier Li Peng restated President Yang Shangkun's invitation to King Fahd to visit China. King Fahd expressed his gratitude and accepted the invitation. The date of his visit will be set at a later date.

Both sides indicated their firm belief in the urgency and importance of realizing peace and stability in the Middle East in accordance with relevant UN resolutions and the norms of international law. They emphasized that pertinent UN resolutions must be observed and implemented in order to realize peace and stability in the Gulf as well as to respect the sovereignty and independence of the countries there. On the Palestinian issue, they pledged to continue to promote peaceful efforts aimed at settling the issue so that the legitimate rights of the Palestinian people would be guaranteed.

Both sides showed great concern for current developments in the world. They expressed hope that international detente will lead to an end to tension around the world, the elimination of divisions, and the rapid solution of regional conflicts; help foster closer international economic cooperation on the basis of mutual benefit; and promote economic development in developing countries.

Both sides maintained that it is imperative to establish a new international order. The new order should be built on the principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

Premier Li Peng expressed his heartfelt gratitude for the warm welcome and lavish hospitality accorded him by King Fahd.

Visit 'Fruitful,' 'Successful'

*OW1107121991 Beijing XINHUA in English
1148 GMT 11 Jul 91*

[Text] Jeddah, July 11 (XINHUA)—Chinese Premier Li Peng said today his visit to Saudi Arabia is "fruitful" and "completely successful," forming a new starting point for the growth of Sino-Saudi ties.

In an interview with leading Saudi news institutions here this morning, Li said he is happy that the three-day official goodwill visit takes place shortly before the first anniversary of Sino-Saudi diplomatic relations.

Li called his two-hour-long talks with King Fahd the "climax" of the whole visit, which will end this afternoon.

In the talks, both sides agree that there exists vast potentials and a broad prospect for further development of the bilateral relations and cooperation, Li said.

The two sides agree to increase personnel exchanges, particularly in the sectors of economics, trade and technology, as a way to further advance the relations, Li said.

"I can see that King Fahd is as satisfied as I am," Li said.

Asked about China's policy of religion, Li said the country's Constitution stipulates that its citizens enjoy religious freedom.

As for the Muslims in China, Li said, their belief and customs are fully respected.

Li Supports Mideast Settlement

*OW1107133491 Beijing XINHUA in English
1320 GMT 11 Jul 91*

[Text] Jeddah, July 11 (XINHUA)—China supports all efforts which will lead to the peaceful settlement of the Middle East issue, visiting Chinese Premier Li Peng said here today.

Li Peng made the remarks in a news briefing this morning following his talks with Saudi leaders during the three-day official goodwill visit.

Li said that China shared identical views with King Fahd on the Middle East issue.

Premier Li said both sides held that Israel should put an end to its aggressive policy. The legitimate rights of the Palestinian people should be restored and the Arab-Israeli conflict should be solved on the basis of the U.N. Security Council Resolutions 242 and 338, Li pointed out.

In addition to the convention of a U.N.-sponsored international peace conference on the Middle East, with the participation of the five permanent members of the U.N. Security Council, "China also supports all other efforts which will be beneficial to the settlement of the Middle East issue," Li said.

The Chinese premier said that China hopes to see lasting peace and speedy rehabilitation in the region.

Li told Saudi press that the Middle East issue should be handled primarily through consultations among nations in the region.

While restating China's position on Middle East arms control, Li said China adopted "a just and positive attitude" on the question.

The visiting Chinese premier said that China highly appreciated Saudi Arabia's contributions in restoring the territorial integrity and the legitimate government of Kuwait.

At the same time, Li added, Saudi Arabia had also expressed appreciation for China's position against Iraq's invasion of Kuwait and for its demanding Iraq to pull out of Kuwait.

Cited on Reform, Trade

*OW1107202291 Beijing XINHUA Domestic Service
in Chinese 1305 GMT 11 Jul 91*

[By reporters Yang Mu (2799 2606) and Zhou Shuchun (0719 2885 2504)]

[Text] Jeddah (Saudi Arabia), 11 July (XINHUA)—Chinese Premier Li Peng, who has been paying an official good-will visit to Saudi Arabia, told reporters in Jeddah this morning that his visit to Saudi Arabia is a complete success, forming a new starting point for the growth of Sino-Saudi ties.

As his visit drew to a close, the Chinese premier granted an interview to reporters from the SAUDI PRESS AGENCY, Television Station, and AL-JAZIRAH, as well as Chinese reporters accompanying him and fielded questions from reporters.

On Sino-Saudi relations and the outcome of his visit, Premier Li Peng said: The friendship between China and Saudi Arabia goes back a long way. Friendly relations have grown rapidly in the past year since the establishment of diplomatic ties. "Through my current visit to Saudi, the two countries have deepened mutual understanding and enhanced friendship. My visit is a complete success," he said.

He said: "My talks with King Fahd, the prime minister, and Crown Prince 'Abdallah, the first deputy prime minister, were fruitful. My 2-hour talks with King Fahd were the climax of the visit. We had an in-depth exchange of views and shared identical positions on a wide range of international and bilateral issues."

The premier said: During the talks, both sides agreed that there is vast potential for developing trade and economic cooperation between the two countries. To enhance mutual understanding, the two sides agreed to increase personnel exchanges and hold commodity fairs as a way of expanding and developing bilateral cooperation.

He said: "I can see that King Fahd is as satisfied as I with talks between the two sides during my current visit."

Li Peng said: In the talks, the king gave a detailed account of the Middle East situation and Saudi Arabia's stand. The two sides agreed that the key to settling the Middle East issue lies in Israel's withdrawal from the occupied territories and restoration of the Palestinian people's legitimate rights. The Middle East issue should be resolved on the basis of UN Security Council Resolutions 242 and 338. He said: China highly appreciates Saudi Arabia's outstanding contributions in settling the Lebanese problem and the Saudi Arabian Government's stand in opposing Iraqi aggression against Kuwait and supporting the restoration of Kuwaiti sovereignty and territorial integrity. The Saudi king also expressed appreciation for China's position against Iraq's invasion of Kuwait and for its demand that Iraq pull out of Kuwait.

A Saudi reporter asked: Will China continue its reform and open policy? What is the position of the six Gulf states in China's trade and economic relations with foreign countries? The Chinese premier said: The reform and open policy, which China has carried out for many years, will continue. China is open to all countries, including developed and developing countries, European and American, as well as Middle East and Gulf states. A good example in this regard is the construction of a large chemical fertilizer plant in China jointly financed by China, Kuwait, and Tunisia. Even during the Gulf war, construction was not interrupted and proceeded smoothly.

When a XINHUA reporter asked Premier Li Peng to elaborate on China's position on security arrangements for the Gulf in the post-war period, he said China hopes to see lasting peace in the region and speedy rehabilitation of damage done by the war. Problems and affairs in the Gulf region should be handled primarily through consultations and talks among nations in the region. The independence, sovereignty, and territorial integrity of all Gulf states should be respected; their internal affairs should be resolved by themselves.

On the issue of a new world order, Li Peng said: China and Saudi Arabia agree that a new international political and economic order should be based on the principles of mutual respect for territorial integrity and sovereignty, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. All countries should be equal. People of all countries have the right to choose the social system and course of development for their own country.

The premier also fielded reporters' questions on the Chinese Government's position on arms control in the Middle East and policies on protecting the citizens' religious freedom and respecting the beliefs and customs of Muslims.

Departs for Damascus

OW1107170791 Beijing XINHUA in English
1632 GMT 11 Jul 91

[Text] Jeddah, Saudi Arabia, July 11 (XINHUA)—Chinese Premier Li Peng today finished his visit to Saudi Arabia and left for Syria continuing his six-nation Middle East tour.

During his stay, Li held talks with Saudi King and Prime Minister Fahd Bin-'Abd-al-'Aziz al Sa'ud, Crown Prince and First Deputy Prime Minister 'Abdallah Bin-'Abd-al-'Aziz al Sa'ud and Second Deputy Prime Minister Prince Sultan Bin-'Abd-al-'Aziz al Sa'ud.

The leaders of the two countries agreed to enhance political and economic ties and reached consensus on broad issues concerning the Middle East and other international problems.

Saudi Arabia is the fourth leg of Chinese premier's Middle East tour. So far, Premier Li has traveled to Egypt, Jordan, Iran and will wrap up his six-nation tour after visits to Syria and Kuwait.

Greeted by Syria's Al-Zu'bi

OW1107204191 Beijing XINHUA in English
2014 GMT 11 Jul 91

[Text] Damascus, July 11 (XINHUA)—Chinese Premier Li Peng arrived here this afternoon on a four-day official good-will visit, the first trip ever to Syria by the highest-ranking Chinese Government leader.

The Chinese premier, who flew in from Saudi Arabia, was met at Damascus International Airport by his Syrian

counterpart Mahmud al-Zu'bi, three deputy prime ministers and all cabinet ministers.

A grand welcoming ceremony was held at the airport, where a band played the national anthems of the two countries as Premier Li reviewed a guard of honor.

During a brief break at the airport's VIP resting lounge, Al-Zu'bi extended warm welcome to Li's visit on behalf of the Syrian Government and people.

He said he wished the visit a success and hoped the Chinese premier would have a pleasant stay in Syria.

Li told Al-Zu'bi that he was looking forward to talks with President Hafiz al-Asad, Al-Zu'bi and other Syrian Government leaders during his stay in Syria.

Syria is the fifth leg of Premier Li's six-nation Middle East tour that has also taken him to Egypt, Jordan, Iran and Saudi Arabia. After Syria, he will visit Kuwait.

Accompanying the premier on the tour are his wife Zhu Lin, Chinese State Councilor and Foreign Minister Qian Qichen and Minister of Foreign Economic Relations and Trade Li Lanqing.

Arrival Statement

OW1207092391 Beijing XINHUA Domestic Service in Chinese 2252 GMT 11 Jul 91

[By reporters Gu Zhenglong (7357 2973 7893) and Yu Dabo (0060 1129 3134)]

[Text] Damascus, 11 Jul (XINHUA)—At the invitation of the Syrian Government, Chinese Premier Li Peng arrived here by special plane this evening (local time) to begin his four-day official and friendly visit to Syria. He was accorded a warm welcome by Syrian Government leaders and Syrian people.

Li Peng has been the highest-ranking Chinese Government leader ever to visit Syria since the establishment of Sino-Syrian diplomatic relations in 1956. Syria is the fifth stop of Premier Li Peng's current six-nation tour in the Middle East (Egypt, Jordan, Iran, Saudi Arabia, Syria, and Kuwait).

Although it is mid-summer, Damascus is cool, and flags of China and Syria are fluttering in the breeze. After Premier Li Peng's special plane smoothly landed and stopped at the presidential apron at the airport, Syrian Premier Madmud al-Zu'bi and his wife; Vice Premiers Yasin, Qaddur, and Talas; and Faruq al-Shar', head of the reception group and Syrian foreign affairs minister, stepped up to the ramp to shake hands and exchange greetings with Premier Li Peng and his wife, Zhu Lin. Two Syrian girls presented bouquets to Li Peng and Zhu Lin.

Then, amid the strains of the Chinese and Syrian national anthems, Premier Li Peng, in the company of Premier al-Zu'bi, reviewed the honor guards. Premier al-Zu'bi introduced to Premier Li all the ministers of the Syrian cabinet present at the airport to greet him. Also on hand at the

airport to welcome the premier were Chinese Ambassador to Syria Zhang Zhen, other Chinese diplomats and personnel of Chinese organizations, as well as representatives of Chinese students studying in Syria.

Qian Qichen, Chinese state councilor and minister of foreign affairs; Li Lanqing, minister of foreign economic relations and trade; and Yuan Mu, director of the State Council Research Office, arrived in Damascus on the same plane.

After the welcoming ceremony, Premier Li and his wife, in the company of Premier and Madame al-Zu'bi, took a short rest at the airport's VIP lounge. On behalf of the Syrian Government and people, al-Zu'bi expressed a warm welcome to Premier Li Peng. Premier Li thanked the Syrian Government and people for their warm and ceremonious welcome. Premier al-Zu'bi wished Premier Li a successful and pleasant visit in Syria.

In a statement he delivered at the airport, Premier Li Peng said: "Chinese and Syrian peoples have a time-honored traditional friendship. The well-known Silk Road of more than 2,000 years ago was already a link of our two peoples' commercial and friendly contacts. After our two countries established diplomatic relations in 1956, our friendly relations and cooperation developed smoothly in all fields. Especially in recent years, our two countries' high-ranking leaders have visited each other more often, our mutual understanding has continued to deepen, and our spheres of cooperation have been broadening. We are very satisfied with this development.

"Syria is an ancient civilization in the east Mediterranean Sea. I am greatly honored to have this opportunity to visit your country's beautiful landscape and familiarize myself with the great achievements your country has achieved in carrying out your lofty cause of building your own country. I look forward to having friendly meetings and talks with President Hafiz al-Asad, Premier al-Zu'bi, and other Syrian leaders, and to exchanging views with them on bilateral relations and major international and regional issues of mutual concern. I hope this visit will help contribute to the continuous development of Sino-Syrian friendly relations and cooperation."

Zhu Liang Meets Libyan Congress Delegation

OW1107105691 Beijing XINHUA in English 1039 GMT 11 Jul 91

[Text] Beijing, July 11 (XINHUA)—Zhu Liang, head of the International Liaison Department of the Central Committee of the Chinese Communist Party (CPC), held talks here today with a delegation from the Libyan General People's Congress (LGPC) on bilateral relations and international issues.

The delegation, led by LGPC Assistant Secretary Mahmoud Hamed Al Khafifi, arrived here yesterday at the invitation of the CPC.

During the three-hour discussion, the two sides briefed each other on the situation in their respective countries.

Zhu Liang and Al Khafifi agreed that the two sides will work for consolidation and development of the ties of friendship between the CPC and the LGPC and between the two countries.

Al Khafifi noted that the successes China has made in building socialism shows that socialism will not fail.

After the talks, Zhu Liang hosted a luncheon in honor of the visitors.

Chen Xitong Meets Omani Culture Minister

OW1107203191 Beijing XINHUA in English
1307 GMT 11 Jul 91

[Text] Beijing, July 11 (XINHUA)—Chen Xitong, Chinese state councillor and mayor of Beijing, met with Faysal Bin-'Ali al Sa'id, minister of national heritage and culture of Oman, here today.

In the afternoon, an Oman's cultural exhibition opened here, on display being cultural relics, books, handicrafts and pictures.

In the evening, Minister Faysal, who is here to attend the cultural week of Oman, gave a reception.

He Jingzhi, Chinese acting minister of culture, was among those present at the exhibition and reception.

Sudan Signs \$100 Million Trade Protocol

OW1107214291 Beijing XINHUA in English
2013 GMT 11 Jul 91

[Text] Khartoum, July 11 (XINHUA)—A trade protocol to the tune of 100 million U.S. dollars was signed here today between China and Sudan.

The protocol provides that China will import Sudanese cotton and Arab gum, while exporting textiles, medicine and handicraft to the African country.

Following the signing ceremony, Muhammad Nouri Hamid [name as received], first under-secretary at the Ministry of Trade, Cooperation and Supply told XINHUA that he was satisfied with the trade ties between the two countries.

Ever since the first protocol was signed between the two countries in 1962, trade relations have been increasing in volume, he said, noting that last year's volume of trade reached 110 million U.S. dollars.

Hamid said he hoped China would invest in Sudan in the fields of trade, industry, economy and agriculture.

Egypt Welcomes UNSC Nuclear-Free Zone Call

OW1007215791 Beijing XINHUA in English
1524 GMT 10 Jul 91

[Text] Cairo, July 10 (XINHUA)—Egypt today welcomed a proposal by the five permanent member states of the U.N. Security Council [UNSC] on making the Middle East an area free from nuclear weapons.

Foreign Minister 'Amr Musa said the proposal would be "a very positive step toward arms control in the area based on non-distinction between the countries" in the region.

The five permanent members of the Security Council—the United States, the Soviet Union, China, France and Britain—agreed in Paris Tuesday after two days of meetings to support the making of the Middle East a zone free from mass destruction weapons, including nuclear arms.

"We are studying the statement and we think it includes some positive points especially in connection with these countries' declaration of clearing the region of mass destruction weapons," Musa said.

Musa has said any disarmament in the region should include Israel so as to make symmetry between the Arab countries and the Jewish state.

Israel is the only Middle East country believed to have nuclear weapons. However, it has resisted plan for a nuclear-free Middle East.

Company Tests Fighter Planes for Pakistan

HK1207040491 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0948 GMT 11 Jul 91

[Report: "China Exports First Lot of JJ-7P Fighter Planes to Pakistan—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 11 July (ZHONGGUO TONGXUN SHE)—Recently, the first lot of Jian-Jiao [3005 2403] 7P fighter planes, manufactured by the Guizhou General Aeronautics Industrial Company, has been exported to Pakistan.

According to ZHONGGUO HANGKONG HANG-TIAN BAO [CHINA AERONAUTICS, ASTRONAUTICS NEWS], the manufacturing of JJ-7P fighter planes began in April 1989 and their first trial flights were conducted 9 October 1990. By May of this year, the first-phase of trial flights had been completed. Based on the results of the flights, the planes' various functions have met design requirements. Their serviceability and stability are sound and their equipment system and foreign-supplied component parts function normally.

Currently, the JJ-7P fighter planes have entered the second phase of trial flights and are scheduled to finish the whole previously set flying routes and the whole pattern of external connection combinations. The entire process of the second-phase trial flights is expected to be completed at the end of August.

According to the briefing given by Wu Binglin, chief designer of the JJ-7P fighter planes, the planes are developed on the basis of the JJ-7 fighter planes. With some improvements, now the new-type planes have five external weapons locations and additional advanced electronic devices such as parallel perspective [ping shi 1627 6018] indicators and atmospheric data computers, thus boosting their weapons and firing control systems, expanding their fuel-carrying capacity, and increasing their air-range 25 percent.

East Europe

Bulgarian President Urges Internal Stability

OW1207063891 Beijing XINHUA in English
0044 GMT 12 Jul 91

[Text] Sofia, July 11 (XINHUA)—Bulgarian President Zhelyu Zhelev said today that the unrest in the Balkans has called on the Bulgarians more than ever to cherish their national stability.

He said this during a television speech to the nation concerning the adoption of a new constitution by the Grand National Assembly.

"Realism, sense of responsibility of the citizens and political sensibleness are the rungs by which the world establishes its trust in Bulgaria," the president said.

Recently, differences over whether to adopt the new constitution have deepened. In May some of the opposition congressmen who had withdrawn from the Grand National Assembly staged a hunger strike outside the congress building to press their opposition to the adoption of the new constitution.

Zhelev and the majority of the assembly want to have the new constitution adopted at a ceremony scheduled for Friday.

Bulgarian Army To Establish Military Police

OW1207073391 Beijing XINHUA in English
0228 GMT 12 Jul 91

[Text] Sofia, July 11 (XINHUA)—Military police will be installed in Bulgarian Army to help maintain the army discipline, announced Chief of General Staff Radniu Michev Wednesday.

The move is designed to prevent and stop violations of army constitution and regulations, as well as the orders from the defense minister, the general explained.

The military police will also be responsible for keeping order in barracks, rounding up deserters and safeguarding military delegations, local newspapers quoted the general as saying.

The announcement came amid increasing indisciplines in the army over recent months with repeated desertions, theft of weapons, fight and suicide, the newspapers said.

Beijing Commemorates Death of Bulgarian Artist

OW1007134691 Beijing XINHUA in English
1235 GMT 10 Jul 91

[Text] Beijing, July 10 (XINHUA)—The second anniversary of the death of leading Bulgarian artist Wanman-Maryn Varbanov was commemorated here today.

The commemorative meeting was co-sponsored by the China Society for People's Friendship Studies (CSPFS) and the China Association for the Advancement of International Friendship.

Huang Hua, Standing Committee member of the Central Advisory Commission of the Chinese Communist Party and also CSPFS president, addressed the meeting.

Huang expressed his great respect for Wanman's contributions in the field of tapestry and in promoting international exchanges in tapestry art between China and the outside world as well as in training young Chinese artists in this field.

Present at the meeting were noted Chinese artists, as well as Bulgarian Ambassador to China Filip Markov and diplomats from the French Embassy.

Poland To Reform Leading Military Bodies

OW1007062791 Beijing XINHUA in English
0411 GMT 10 Jul 91

[Text] Warsaw, July 9 (XINHUA)—The Polish Government approved a plan today to reform the country's military leading bodies and that a nonmilitary personnel will be appointed as the defense minister.

Under the plan, the country's Defense Ministry will become a "nonmilitary administrative organization" and the separately-established General Staff will be "responsible for commanding and training of the Armed Forces."

Moreover, Poland will set up a special organization to take charge of the civil defense.

A military official said the country's military weapons and equipment are expected to be "renovated."

The official noted that Poland advocated to purchase sophisticated military equipment from Western countries, saying his country will try to jointly produce necessary weapons and equipment with developed nations.

The Polish Army will be "reduced and reorganized," he said, adding that during the peace time, the troops will be between 230,000 and 250,000, as against 350,000 in the past.

Meanwhile the duration of military service is shortened from two years to the existing 18 months, the country will increase the number of professional servicemen who will account for 50 percent of the total number in the next few years.

XINHUA Continues Coverage of Yugoslav Crisis

Markovic Hopeful

OW0907055291 Beijing XINHUA in English
0316 GMT 9 Jul 91

[Text] Belgrade, July 8 (XINHUA)—Yugoslav Premier Ante Markovic said today that the joint declaration of the Brioni meeting makes it possible to start talks immediately on the future of Yugoslavia.

The official TANGJUG NEWS AGENCY quoted the premier as saying the talks would begin at the latest on August 1.

Markovic noted that the declaration signed on Sunday was based on his country's full right to decide its own future, as well as from the premise that the development of the internal situation which required new agreements must be accepted.

The federal government would offer its solutions including the re-establishment of Yugoslavia's state system functions in the three months to come, he said.

According to another TANJUG report, Borisav Jovic, a member of the Yugoslav State Presidency, said the resolution of Yugoslavia's crisis depended on a peaceful and proper settlement of relations between the Republics of Serbia and Croatia.

Speaking at a press conference, Jovic said the Croatian Republic and the European Community (EC) agreed completely that Yugoslavia's crisis should be resolved by political negotiations, and on the basis of observing the right of every nation to self-determination.

The Republics of Slovenia and Croatia had declared independence, but this did not mean that Yugoslavia no longer existed, he added.

Presidency To Meet

OW1107061891 Beijing XINHUA in English
0229 GMT 11 Jul 91

[Text] Belgrade, July 10 (XINHUA)—The Yugoslav Presidency decided today to convene an enlarged meeting on Friday to discuss the operation of the country's constitutional system for the next three months.

According to a statement issued by the presidency's information department, apart from the members of the presidency and leaders of the federal government, presidents of each republic are also invited to attend the meeting.

The presidency also agreed to meet on Friday to focus on the implementation of the resolution adopted by the presidency on July 4 concerning the settlement of the Slovenian issue.

The official TANJUG NEWS AGENCY reported that the Yugoslav Government proposed today that the

Yugoslav Presidency hold an emergency enlarged meeting to discuss the domestic situation.

In a letter to the presidency, the Yugoslav Government said that with the country's political and economic situation on the verge of collapse, the presidency is called upon to invite senior leaders from both republics and the federal government to attend the meeting.

The letter said the meeting should focus on domestic situation and seek ways to check confrontation among republics and ethnic groups and ensure normal performance of the country's economy and society in the next three months.

The meeting should also begin negotiations on the future of the country, it added.

The letter urged all parties concerned to reach agreement on the responsibility of each so as to create conditions for the implementation of the proposal.

The government will be unlikely and unable to bear responsibilities for all the serious consequences arising from the failure to reach such agreements, the letter added.

Defense Ministry on Withdrawal

OW1207063291 Beijing XINHUA in English
0133 GMT 12 Jul 91

[Text] Belgrade, July 12 (XINHUA)—The Yugoslav Federal Secretariat of National Defense rejected on Thursday Slovenia's accusation that the federal army has not yet withdrawn as required by an agreement on peacefully defusing the crisis in the Balkan state.

"All moved units have returned to the barracks" except for two armored vehicles and one mortar battery in Nova Gorica and six tanks in Vipava, which are being "illegally prevented by the armed groups of Slovenia," the TANJUG quoted the Defense Ministry as saying.

The Defense Ministry's statement was in response to a letter sent by the Slovenian Government to the Federal Presidency on Tuesday, which accused the Yugoslav People's Army of delaying its return to barracks.

The withdrawal of federal army was contained in an agreement on peacefully resolving the country's conflict, which has escalated into a civil war since Slovenia, along with Croatia, declared independence late last month.

Bloody clashes have not yet come to a halt since the peace agreement, brokered by the European Community, was accepted by all parties concerned on Monday.

In its reply to Slovenia's letter, the Federal Defense Ministry dismissed as "pure fabrications" the allegations that helicopters with Red Cross markings carried new federal army to several towns in Slovenia on July 7-8.

The helicopters, the ministry said, were transporting the released officers to their units and bringing in those assigned to Slovenia as early as last May.

Refuting the charges that the federal army continues to mobilize reserves among the Serbs, the ministry said this is "just because that Slovenia ... and some other republics ... are not sending their recruits to the federal people's army."

The Defense Ministry criticized the secessionist Slovenia for not clearing the mine fields it laid near military facilities, on the roads and in the streets throughout the republic. It also called for the release of the federal army men still detained by the Slovenians immediately, the TANJUG reported.

Gorbachev Comments

OW0907232391 Beijing XINHUA in English
1632 GMT 9 Jul 91

[Text] Moscow, July 9 (XINHUA)—Soviet President Mikhail Gorbachev said his country hopes that the Yugoslavian peoples can solve the current crisis by themselves and outside assistance can be offered only at the request of the Balkan Federal Government.

Gorbachev told a joint news conference with visiting Spanish Prime Minister Felipe Gonzalez that the situation in Yugoslavia affects not the Soviet Union alone, but all other states.

"It affects all of us. It affects the foundations of the entire present-day foreign policy of states. We are all concerned," Gorbachev said.

"We are looking for ways to resolve the problem by peaceful means, by displaying respect towards the peoples of Yugoslavia, proceeding from the premise that we are in favor of Yugoslavia's integrity and our commitment to the inviolability of borders."

Stressing the importance of "the most fundamental principle" of state setup—invulnerability of borders, Gorbachev said this principle must be combined with respect towards "the rights of national minorities."

On the Soviet Union's attitude to developments in Yugoslavia, Gorbachev said: "These are friendly peoples. We are united by many things, both by distant and not-too-distant past, especially our concerted struggle against fascism, and by decades of cooperation."

Hungarian Official's View

OW0907030491 Beijing XINHUA in English
0132 GMT 9 Jul 91

[Text] Budapest, July 8 (XINHUA)—Hungarian Foreign Minister Geza Jeszenszky said today that the conflicts in Yugoslavia should be resolved through peaceful means and on the ground that interests of all parties involved are met.

He made the remarks during his talks with visiting Belgian Deputy Prime Minister Philippe Moureaux.

Referring to relations with the European Community (EC), the foreign minister stressed that one of the strategic goals for his country's foreign policy is still to become a liaison member and then a full member of EC.

Meanwhile, Jeszenszky, who is also minister for the Brussels region and institutional reforms, said his country does not believe that the establishment of relations between Belgium and other central European countries would interrupt the normal process of the European integrity.

He said EC should develop ties with these countries and create possible conditions for their participation in the organization.

According to another report, Hungarian Prime Minister Jozsef Antall said today at a symposium on domestic economic development that he welcomed the talks between an EC delegation and Yugoslav leaders.

He welcomed the postponement of the declaration of independence of Slovenia and Croatia for three months, saying that the Hungarian Government believes that the establishment of a federation of sovereign republics would be the best solution.

Political & Social

Wang Renzhong on Party Leadership Style

OW0807224491 Beijing XINHUA Domestic Service
in Chinese 1018 GMT 5 Jul 91

[By Central People's Broadcasting Station reporter Liu Zhenmin (0491 2182 2404) and XINHUA reporter Liu Siyang (0491 1835 2254)]

[Text] Beijing, 5 July (XINHUA)—Comrade Wang Renzhong, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, who have for a long time participated in leading party and state work, expressed the hope that leading cadres of organs directly under the CPC Committee would uphold and carry forward the correct style of leadership to ensure the smooth implementation of the party's line, principles, and policies. He said this today when lecturing at a party class attended by cadres of bureau-level organs directly under the CPC Central Committee.

The party class for cadres of organs directly under the CPC Central Committee was organized by the Work Committee for Organs under the CPC Committee in commemoration of the party's 70th founding anniversary. Today's lecture was the third in a series. Its title was: On the Question of Leadership Style.

Wang Renzhong said: Democratic centralism is the basic principle of our party's organization. It is a party discipline, a work method, and also a work principle. To carry out democratic centralism, our party implements the party committee system. It does not allow the words of one person alone to hold sway, but requires that attention be given to the opinions of all, including different opinions and the opinions of the minority. Style is a manifestation of unified stand, viewpoint, and method. The question of democratic style is primarily one of the mass viewpoint and mass line. Because of this, leading cadres should learn how to conduct investigations and studies and how to heed the opinions different from theirs. Centralism without democracy is not correct centralism. Democracy with centralism is not genuine democracy. We must carry out democratic centralism in doing all our work.

Wang Renzhong pointed out: To strengthen the party's leadership, the top leader of the party committee should learn to be a squad leader. He should have a democratic style and be adept at using Marxism-Leninism-Mao Zedong Thought to unite the "squad members" of the party committee. Only the members of such a leading core can stay in step, work together with one heart, and make concerted efforts to do their work successfully.

He said: Principal party leaders must be adept at consulting with others. They should not make arbitrary decisions, act preemptorily, and let what they say count. They should be good at uniting with those who once opposed them. If different opinions exist, they should not hastily reach a

decision; they can make further investigations and studies to arrive at a final, correct opinion.

Wang Renzhong asked leading party cadres to take the lead in rectifying party style, bring democracy into full play, distinguish between right and wrong on matters concerning the principle, and accommodate each other in dealing with other things. With regard to the use of personnel, they should treat "people from all corners of the country" equally instead of forming factions and small groups. This is the only way to bring the party's fighting strength into full play. Only thus can our party play its role to the full in carrying out the socialist modernization program and become a core around which the people of all nationalities and all democratic parties can unite.

Discussing the issue of practicing criticism and self-criticism, Wang Renzhong said: In handling problems related to the party's ideology and style, we should proceed, as Comrade Mao Zedong pointed out, from the aspiration for unity in solving contradictions through criticism and self-criticism, thereby scaling new heights in unity. At present, some leading cadres, instead of practicing criticism and self-criticism, engage in promotion and self-promotion. These are not good cadres. A leader can command admiration from the masses only when the leader is ready to listen to criticisms and practices self-criticism. Wang Renzhong expressed the belief that practicing criticism and self-criticism is of vital importance in overcoming shortcomings and errors, fighting corruption, and strengthening the party's leadership.

Wang Renzhong encouraged cadres to read books, hold heart-to-heart talks, and ponder questions by citing his experience. He said: After recently studying again the *Selected Works of Mao Zedong*, I have obtained a better understanding of Chairman Mao's thesis on the party's three major styles of work, that is, integrating theory with practice, forging close links with the masses, and practicing criticism and self-criticism. He urged cadres to read more for refreshing their memory.

Wang Renzhong suggested holding heart-to-heart talks as a way to make friends and understand the real situation. In addition to reading and heart-to-heart talks, cadres should use their brains to ponder questions so as to overcome the practice of being bogged down in routine matters.

Wen Jiabao, alternate member of the Secretariat of the CPC Central Committee and secretary of the Work Committee for Organs under the CPC Central Committee, also spoke at the meeting. Some 1,000 cadres at the department and bureau levels of organs under the CPC Central Committee and the Central Government attended the lecture.

Lu Dingyi Interviewed on Party History

*HK1007011091 Beijing GUANGMING RIBAO
in Chinese 17 Jun 91 pp 1, 2*

[Article by staff reporter Li Ruiying (2621 3843 5391): "Come What May, There Is Hope as Long as Communist Party Exists": Interview With Lu Dingyi, Member of Standing Committee of Central Advisory Commission"]

[Text] On the occasion of the 70th birthday of the CPC, and after 41 years of trials and hardships of the PRC, what should we do to better uphold CPC leadership? To get an answer to this question, this reporter recently visited and interviewed Comrade Lu Dingyi, a revolutionary of the older generation.

Passing through evergreen pines and cypresses along a quiet and secluded lane, I got to the place where Lu Dingyi is living as a convalescent. To have an interview with the old comrade, who was former head of the Propaganda Department and member of the Secretariat of the CPC Central Committee, and vice premier of the State Council, I could not help feeling a bit nervous and reserved. When I entered his room, our revered Comrade Lu came up smiling and warmly shook hands with me. Upon my enquiry after his health, he laughed and said, with a strong Wuxi accent, "very well, very well. You see, I am very fine." Revered Old Lu is 85 years old now, with silvery hair, yet in high spirits. His attitude and demeanor reveal his relaxed, amicable, and humorous disposition, giving people a feeling of cordiality, which quickly relieved me of my nervousness.

Born in 1906, revered old Lu has nearly spanned a century. As a witness to the 20th century, he began our conversation with the party's history and his personal experiences, analyzing and explaining why we should support the CPC and the decisive significance of party leadership to the Chinese revolution and construction. He said: The CPC, having hacked its way through brambles and thorns and trodden a journey of hardships and dangers, has expanded and grown up in 20th-century Chinese society. Therefore, it is a mature party that has integrated basic principles of Marxism with the reality of the Chinese Revolution. Taking an overall survey of the past 70 years of Chinese history, we can see that the success or failure of both the Chinese revolution and socialist construction hinges on whether there is party leadership and whether there is a correct line of party leadership. The Communist Party is likely to commit mistakes, but it is able to correct them, and is capable of leading the people toward victory. Revered Old Lu thinks that in order to better uphold party leadership, it is necessary to sum up in real earnest the past experiences and lessons of our party and, in the thinking of the entire party, reach some basic consensus which, he thinks, should include the following aspects:

Correct Party Leadership Is Guarantee of Victory in Chinese Revolution

Revered Old Lu said: The Chinese revolution succeeded after 28 years of endeavor, during which our party

gradually became mature. In the early years of its founding, our party was very naive. Under the Chen Duxiu [7115 3747 4423] opportunist line, there was a proposition that the army be dispensed with and handed over to the bourgeoisie, while lopsided emphasis was placed on mass movements. At that time, Zhu De went to Shanghai and met with Chen Duxiu, requesting to join the CPC. But Chen Duxiu did not accept him, saying: You are a serviceman of the old army, so you cannot join the party. Not understanding the necessity of an army and the importance of armed struggle in the Chinese Revolution, we could not drive away Chiang Kai-shek when he betrayed the revolution but, on the contrary, we were driven away and massacred by Chiang Kai-shek. As we had learned from the lesson of the failure of the Great Revolution (1924-1927), our party staged the Nanchang Uprising, firing the first shot of armed struggle against the Kuomintang [KMT] reactionaries. After the Nanchang Uprising failed, our party profoundly realized that if we deviated from armed struggle, there would be no place for the proletariat and the Communist Party, and no revolutionary task could be fulfilled. In China, the main form of struggle is war and the main form of organization is the army. Political power grows out of the barrel of a gun. Then, after the 7 August Meeting, the party began to shift the focus of revolution from cities to rural areas, established revolutionary bases, and organized armed forces. At that time we were short of arms and ammunition; how could we fight against the enemy? We resolutely wiped out the enemy in battles, and then armed ourselves with the arms and ammunition seized from the enemy. The reason why our army could persevere in fighting for 22 years, and our armed forces could grow out of nothing and grow from small to large, was that we had the correct leadership of the party, correct military strategies and tactics (such as "protracted war in strategy, war of quick decision in campaigns and battles," war of attrition that we were opposed to, and war of annihilation that we advocated), and the revolutionary heroic spirit of the communists.

Pondering for a moment, revered old Lu said slowly: At that time, there were lots of difficulties in fighting, but the greater problem was the divergent views about the line within the party. For instance, the party and army were under the rule of Wang Ming's "left" opportunist line for four years. In party building, they practiced the line of "ruthless struggle and merciless blows;" in terms of the military line, they were against mobile warfare and favored attacking cities, regardless of the situation that the enemy was strong while we were weak; and on the question of the united front, they were opposed to forming a united front with the upper levels, but insisted that a united front could only be formed with the lower levels, saying "the intermediate force is a more dangerous enemy than the open one." Guided by this thought, they sat by and watched the 19th Route Army waging the "Fujian Incident" be eliminated by Chiang's army. The erroneous lines that ruled the party one after another caused the party forces to suffer severe losses.

When revered old Lu turned the conversation to the "Zhunyi Meeting," a gratified smile appeared in his face. He said: The "Zhunyi Meeting" drew a clear demarcation line in the party's history. Prior to this, the party's understanding of the Chinese revolution was childish. It can be called the party's childhood. After it, the party became mature on the question of the Chinese revolution, entering its period of maturity. Under the correct leadership of its central committee, the party established a national anti-Japanese united front and won overall victories in the Anti-Japanese War and the Liberation War.

In the *Collected Works of Lu Dingyi* (Preface by Author), revered old Lu profoundly expounded various manifestations of opposing Communist Party leadership from inside and outside the party. He pointed out: Opposition to the leadership of the Communist Party came partly from outside and partly from inside the party. In the revolutionary period, outside the party, the KMT right wing headed by Chiang Kai-shek advocated "restricting the Communist Party," and "melting and eliminating the Communist Party;" within the party, Chen Duxiu was opposed to Communist Party leadership in the democratic revolution. They coordinated with each other which led to the failure of the Great Revolution. In the period of socialism, outside the party, there were Zhang Bojun [4545 0130 0971] and Luo Longji [5012 7127 1015] who attacked Communist Party leadership by advocating the idea of "ruling in turn;" within the party, there was opposition to "kick away party committees in carrying out revolution" during the "Great Cultural Revolution," which resulted in a calamity throughout the country. Later on, outside the party, Fang Lizhi [2455 0536 0037] instigated students to oppose the four cardinal principles, urging the Communist Party to step down; inside the party, there were leaders who "paid more attention to material progress than to cultural and ideological progress." "Paying less attention to cultural and ideological progress" meant, in the final analysis, to cast off Communist Party leadership and, consequently, led to the political disturbance in the late spring and early summer of 1989. Revered Old Lu thinks that today, under the leadership of the experienced CPC, remarkable successes have been made in reform and opening up over the past decade. This is the happiness of the Chinese people. People inside and outside the party should all support Communist Party leadership, under which we sail in the same boat, helping each other in building our great motherland.

Party Spirit Should Not Be Weakened at Any Time

Members of the Communist Party who possess indomitable party spirit will have lofty character and fine style, and establish themselves in an unassailable position. Revered Old Lu recalled some unusual happenings in the past. In the Soviet Area, the Red Army, once sealed off in a mountain by the KMT, had no more salt to eat. The soldiers had to dig the earth under the walls and boil it down into nitrate, which served as salt. Having eaten too much nitrate, we all found our mouths festering, but everyone was still in high spirits. In winter, we had no

padded coats to wear, so various ways were devised to ward off the cold, so as to keep up the revolutionary struggle. A rationing system was practiced in the revolutionary bases, under which everyone, officers and men alike, got six yuan per month. This money was mainly used for food, and the scanty "balance" at the end of the month, if any, would be our pocket money. Although we were in such a difficult situation, the Communist Party members still preserved strong party spirit. Recollecting the past, we understand why our army and party members could be so brave and staunch. It was because we had correct party leadership and the "three main rules of discipline and eight points for attention" formulated for our army by the party. As early as 1928 when Mao Zedong and Zhu De joined forces in Jinggangshan, our party, proceeding from the actual conditions at that time, instituted discipline and various systems. In 1931, the contents of political work and methods of implementation were put forward. During the Anti-Japanese War, political work in the army was more systematically expounded. Precisely because the large numbers of party members and fighters were armed with the aim of army building and political work, they intensified the concept of party character, placing the interests of revolution above everything, sharing weal and woe of the revolution, and giving their utter devotion to the cause of revolution. Where did the idea of the "three main rules of discipline and eight points for attention" come from? On the one hand, it was determined by the party spirit, and on the other hand, it was the summation of experience from our party's correct handling of interpersonal social relations.

The Communist Party always attached importance to handling and regulating various relations in an equal way, such as those between superiors and subordinates, army and ordinary people, large and small nationalities, and so on. This method of regulating interpersonal relations was essentially different from the relations between man and man stated by Confucius. The "kindness" Confucius referred to was the "kindness" of the feudal society, which was a relationship of oppression. What our party emphasized was an equal, comradely relationship, proceeding from the interests of the people in everything. Therefore, in those years, wherever the Communist Party-led troops went, they were backed, relied upon, and supported by the masses.

In all earnestness, revered Old Lu said the exemplary role a party member plays should last a whole lifetime, and not just a few days or months. This is where the difficulty lies. In our lives, how many temptations, obstacles, hardships, and junctures of possibly sacrificing our lives shall we encounter? Now, thanks to the good party policies, the people are gradually getting rich, but party members must not forget their own historical mission. In the socialist construction and reform, party members must constantly proceed from the interests of the people and perform their duties in accordance with the party spirit and principles. Otherwise, they will be forsaken by the times and the people. On the eve of victory of the revolution, the party Central

Committee admonished the whole party: There may be some communists, who were not conquered by enemies with guns, but who cannot withstand sugarcoated bullets; they will be defeated by sugarcoated bullets. We must take precautions against this situation. Today, given the situation of reform and opening up and developing the commodity economy, some people have been hit by the sugarcoated bullets of bourgeois outlook on life, "forgetting justice in seeing benefits," and losing the party spirit and principles that a party member should properly possess. All the real Communist Party members should draw lessons from them, and strengthen training in party spirit.

Communism Is the Only Way Out for China

In his talk, revered Old Lu never touched on the ruthless persecution he suffered during the "Great Cultural Revolution." Instead, proceeding from a veteran revolutionary's correct stand and China's reality, he elaborated the historical law that communism is sure to come true. He said: When I joined the party in 1925, I thought the revolution would succeed in five years. It was not so. The victory came only after 24 years of the democratic revolution. At that time, no one knew when we would win victory in the revolution. After the Long March, the Red Army had only 30,000 people left, so if we were asked when the revolution would win, nobody could give an answer. Then, with the start of the Anti-Japanese War, national contradiction became the principal one while class contradiction was reduced to a secondary position, and we had less idea when the revolution would succeed. After eight years of war against Japanese aggression we won the victory, but we were still uncertain as to when the revolution would gain success. Later on, the KMT reactionaries started the civil war. We knew that we would win the revolutionary war in five years, as we estimated that we could wipe out eight brigades of the enemy per month, and eliminate all of them within five years. However, when will communism be realized? If someone asks me this question now, I simply cannot tell. During the Great Leap Forward, it was said that we would enter communism in two years. It was totally impossible. Communism will certainly come true. This is an objective law of historical development. Granted communism is still a long way off, we must still advance toward this direction. Yet, under no circumstances shall we follow the road of capitalism. Someone says that capitalism is good, but what are its advantages? Under the exploiting system, men are subject to a relationship of exploitation. Many people lead a hard life burdened by piled up debts, whereas millionaires take forcible possession of the wealth created by the vast numbers of working people, squandering as much as they like. Only the Communist Party can save China and lead the people of all nationalities toward common prosperity and communism. No other political forces can do this. The premise of realizing communism is to eliminate countries by concerted efforts of the whole of mankind. Consequently, we are unable to see communism in this generation, but our offspring can definitely see it. In short, come what may, as long as the Communist Party exists, there are promises.

Revered Old Lu places high hopes on young people, saying: Revolution is an arduous and, therefore, a great cause. Like revolution, the process of construction is also arduous and great. You must meet difficulties head-on so that you are worthy of the people and the Chinese nation. The democratic revolution and socialist revolution are all carried out under the leadership of the Communist Party. We people of the older generation no longer sigh with regret that "the revolution has not yet succeeded." The remaining task is to oppose "peaceful evolution" and to build a socialist new China. Now China's position is very important, and the socialist reform and opening up are well conducted. We are not in a mess, nor have we collapsed. We are marching on. You young people must be careful not to smear the red flag but to advance toward communism, no matter what hardships, dangers, and obstacles you may encounter. This is the only way out for China!"

Revered Old Lu has devoted himself to the revolution for more than 60 years. During most of the time he was engaged in the party's propaganda and theoretical work. He is a theoretician known to the entire party and the people. I feel greatly benefited having had the opportunity to listen to a revolutionary elder's instructions. After shaking hands with him to bid farewell, I walked out of the door. Turning my head, I saw him still standing there, smiling and waving his hand again and again.

Survey Confirms Poor Quality of Party Membership

*HK0807015791 Hong Kong CHENG MING
in Chinese No 165, 1 Jul 91, pp 21-22*

[Article by Cen Shan (1478 1472): "CPC Investigation Confirms That Quality of Party Member Officials Is Poor"]

[Text]

Organization Department's Investigation Report on Party Members and Organizations

In early May this year, the CPC Organization Department submitted an investigation report to the Political Bureau, in which the comprehensive conditions of some 4 million party cells and some 50 million party members were summarized.

In light of the three criteria for grass-roots party cells and party members (1. firmly implementing the party principles and policies; 2. unfolding criticism and self-criticism; and 3. establishing close ties with, relying on and working for the masses), the survey results were: sound and comparatively sound party cells number 1 million, just so-so party cells number 2.4 million, and poor and rather poor party cells 600,000.

Among party members, 65 percent were up to criteria, 25 percent not quite up to criteria, while the rest were not up to or were a far cry from the criteria.

The investigation report, written specially for the occasion of marking the CPC 70th founding anniversary, has roused strong repercussions from the CPC top echelon.

"They Have Not Even Read a Single Book by Marx or Lenin"

Talking about cadres' extremely low quality at a discussion meeting for retired cadres in early May, Li Xiannian said: "Some of our grass-roots cadres today, including some cadres of prefectural party committees, have not even read a single book by Marx or Lenin, but they are leading the building of socialism. Some cadres said that it is necessary to pay attention to practice. Are Marxist-Leninist works, which are our party's theoretical basis, just some kind of ornaments? I have pointed out to the Central Propaganda and Organization Departments the seriousness and pressing nature of the issue. The Political Bureau will discuss the matter in the near future."

Chen Yun Negates the Report's Truthfulness

On 23 May, Chen Yun wrote an instruction on this report, which read: "To all Political Bureau comrades, I believe the existing problems are more serious than stated in the report, and far more serious at that. What accounted for our past setbacks and mistakes was the lack of a scientific attitude and truth-seeking spirit. This report's truthfulness should be negated. Such problem have repeatedly occurred inside the party over the past 40 years or so. Should we fail to overcome such a problem, the people would not whole-heartedly support the Communist Party." Chen Yun personally delivered this instruction to Song Ping to express his concern over the matter.

Peng Zhen Says That Leading Cadres Are Universally Poor in Quality

In his recent talks with Beijing municipal party committee leading members, Peng Zhen pointed out: "Recently, I have toured various places, and found that the people and local grass-roots cadres aimed their complaints at the poor quality of the party's leading cadres, who lack lofty communist ideals and even the spirit of serving the people. Such a phenomenon is rather universal. In my mind, how can such party organizations and leading cadres play a leading role in socialist modernization? How is it possible for the broad party members and people to support and respond to the party's call? The success or failure of socialist construction, and in the final analysis, the party's fate, would be directly affected without a solution to that problem."

An Entirely Different Survey Report by the Organization Department

The same Central Organization Department sent men to conduct a three-month in-depth and meticulous survey in some provinces and cities in the wake of the Seventh Plenary Session of the 13th Central Committee. However, the latter report has given us quite another picture.

Zhejiang—The province boasts some 220,000 party cells, of which sound and comparatively sound ones account for 6-7 percent, poor and rather poor 70 percent. Of its some 1.9 million party members, those who are up to criteria or comparatively so account for 15 percent, with 80 percent failing to meet, or being a far cry from the criteria.

Sichuan—There are some 400,000 party cells, of which sound or comparatively sound ones account for around 8 percent. Of its some 4.5 million party members, 17 percent are up to criteria or comparatively so, whereas 75 percent fail to meet or are a far cry from the criteria for party members.

Shanghai—There are some 80,000 party cells, of which sound and comparatively sound ones account for approximately 20 percent, and those which are poor or rather poor account for 50 percent. Of its 850,000 party members, 35 percent are up to the criteria or comparatively so, whereas 55 percent fail to meet or are a far cry from the criteria.

Guangdong—The province boasts some 180,000 party cells, of which sound or comparatively sound ones account for only around 5 percent, whereas poor or rather poor ones account for approximately 80 percent. It has some 2 million party members, of whom only 12 percent are up to the criteria or comparatively so, whereas approximately 80 percent fail to meet or are a far cry from the criteria.

Liaoning—The province boasts some 180,000 party cells, of which sound or comparatively sound ones account for 15 percent, whereas poor or rather poor ones account for 70 percent. It has around 1.8 million party members, of whom 20 percent are or up to or comparatively up to the criteria, whereas approximately 70 percent fail to meet or are a far cry from the criteria.

110,000 Party Members Have Withdrawn Their Membership

The Central Organization Department's investigation report has also revealed that between May 1989 and November 1990, some 110,000 party members withdrew their membership nationwide, that 200-some grass-roots party cells withdrew their membership, and that 20 percent of party members refrained from participating in organizational life, with 6 percent of party members failing to participate in organizational life over a span of more than 12 months, while 4 percent of party members failed to pay their party membership dues for a year or more.

Book Series Glorifies Cultural Revolution

HK0907121291 Hong Kong MING PAO
in Chinese 8 Jul 91 p 2

["Newsletter From Divine Land" by Nan Hsun (0589 5651): "CPC Reverses Verdicts on Great Leap Forward, Cultural Revolution"]

[Text] The CPC will soon publish a set of required teaching material for "stepping up education in China's actual conditions." Compiled by a team organized by Deng Liqun, the teaching material is fundamentally ultra-leftist. It openly reverses the verdicts on the Great Leap Forward and the Great Cultural Revolution, praises the contributions of the Great Leap Forward on modern industrial system, and takes advantage of the situation in East Europe and the Soviet Union to stress the necessity of the Great Cultural Revolution.

According to a person concerned, the People's Education Publishing House is to publish a series of five books for stepping up education in China's actual conditions, one of which is called *History of the Republic*. Widely divergent from the 10 years of reform and opening up in its keynote, the book openly glorifies the Cultural Revolution and the Great Leap Forward.

In the book, a chapter describing the Great Leap Forward, entitled *The Three Great Banners Flutter in the Vast Land of China*, attributes the establishment of New China's modern industrial system to the times of the Great Leap Forward.

Another chapter of the book emphasizes the necessity of the great Cultural Revolution, stressing that in view of the lessons gained from international revisionism, Mao Zedong launched the Cultural Revolution to combat and prevent revisionism. The article also uses the collapse and loss of power of communist parties in the Soviet Union and East Europe to prove Mao's brilliance in combating and preventing revisionism.

Written by a team personally organized by Deng Liqun, the series of books, as instructed by the Propaganda Department of the CPC Central Committee, is printed and distributed by the People's Education Publishing House. They are taken as required teaching material for middle school students and distributed throughout the country as extracurricular reading matter in order to implement the party Central Committee's policy on stepping up education in Chinese modern and contemporary history and its policy on forcefully and justifiably publicizing the party's glorious history.

Editors at all levels in the People's Education Publishing House mostly hold that the book manuscripts seriously run counter to historical facts and therefore are not suitable for publishing as textbooks. Some fairly "leftist" figures at the high level also think that the books go against the central authorities' present diplomatic policy by vehemently denouncing East Europe and the Soviet Union. By Deng Liqun has arbitrarily given orders for the speed publication of the books on the ground that ideological education, publicity, and indoctrination should start with primary and middle schools and that there are differences inside and outside the country.

Xiamen To Become Free Port at Deng's Prompting

HK0907141091 Hong Kong WEN WEI PO
in Chinese 7 Jul 91 p 2

[Report by staff reporter Shen Hung-fei (3088 1347 5481): "Xiamen To Be Turned Into a Free Port in Accordance With Deng Xiaoping's Idea"]

[Text] Fuzhou, 6 Jul (WEN WEI PO)—Well-informed sources here have disclosed that the Xiamen Special Economic Zone [SEZ] is considering the establishment of a SEZ management line (the second line) [guan li xian (er xian) 4619 3810 4848 (0059 4848)]. After the establishment of this management line, policies on free trade, finance, and bonded business in the Xiamen SEZ will be relaxed to a fairly great extent, thus enabling Xiamen to develop into a free port and to make a decisive step toward becoming the coastal city with the highest degree of opening up. It has been disclosed that the establishment of the Xiamen SEZ management line is not only a key measure adopted by the provincial authorities in implementing Deng Xiaoping's idea that "a certain free port policy can be carried out in the Xiamen SEZ," but also a warming-up exercise for Xiamen to become a sea and air port for direct sea and air services between the two sides of the Taiwan Strait.

Reportedly, it was during his inspection tour in Xiamen City seven years ago that Deng Xiaoping put forth his idea of implementing a free port policy in Xiamen. According to Deng Xiaoping, considering the fact that Xiamen Island is the closest place to Taiwan and Quemoy Island, the move to turn Xiamen into a free port with freedom of exit and entry can help step up contacts between the Chinese people on both sides of the Taiwan Strait. In recent years Xiamen has made all the preparations for attaining the goal of turning Xiamen into a free port. At a provincial people's congress session Fujian Governor Jia Qinglin, newly appointed last April, made another call on the Xiamen SEZ to "make vigorous and effective efforts to carry out a free port policy." Issues concerning the establishment of a free port have been placed on the major agenda of the Fujian Government, and relevant measures seem ready to be adopted at any moment.

It has been reported by authoritative sources that the provincial authorities have made studies on the establishment of a free port. A feasibility study pointed out: A free port is a free trade zone with the highest degree of opening up. Xiamen will reach this goal in three steps: First, establish and improve the bonded warehouse zone located in Hulidong Port District and carry out transit trade; second, upgrade the bonded warehouse zone to a transit trade zone; and third, turn the whole island into a free port, thus enabling Xiamen to become a coastal city with the highest degree of opening up, containing free trade, financial, and tourist zones. Meanwhile, Xiamen has recently completed the construction of a bridge linking Xiamen Island and the mainland, and the second line is to be set up at the end of this bridge.

People here believe that due to the fact that a grand celebration of the 10th anniversary of the founding of the Xiamen SEZ will be held this coming November, relevant departments are optimistic that some substantial breakthroughs can be made within this year concerning the adoption of this important policy.

GUANGMING RIBAO Reviews Bo Yibo Book

HK1107063391 Beijing GUANGMING RIBAO
in Chinese 24 Jun 91 p 3

[Article by Gao Di (7559 3695): "Useful Explorations, Great Achievements in Building Socialism With Chinese Characteristics: Reading *Review of Some Major Policy Decisions, Events* (Vol 1)"]

[Text] Comrade Bo Yibo's book, entitled *Review of Some Major Policy Decisions, Events* (Vol 1) (hereinafter *Review*) is so magnetic that reading it through I was totally engrossed. The book deals with the important policy decisions and events between 1949 and 1956. Those seven years were crucial in China's revolution and construction and comprise one of the best periods since the PRC's founding. During this period we successfully conducted socialist transformation of capitalist industry and commerce and initiated a very good beginning for the development of China's socialist cause while laying down a solid foundation. The great practice in those seven years was evidence that only socialism can develop China and illustrated that, to build socialism in China, it is imperative that we proceed from China's actual conditions and conform to China's national conditions. Creative explorations were conducted on building socialism with Chinese characteristics with tremendous successes.

I.

It is a very arduous and complicated task to build socialism in China, a country marked by economic backwardness and a huge population. In *Review*, Comrade Bo Yibo deals with the course of the formation and implementation of the general line for the period of transition using voluminous eloquent facts to prove that this general line was correct, conformed with China's national conditions, and blazed new trails.

Socialism is built on the basis of highly developed social productive forces. This being the case, the general line for the period of transition determined that socialist industrialization should be realized step by step in a considerably long period of time, while gradually realizing socialist transformation of agriculture, handicraft industry and capitalist industry and commerce in China. The Central Committee indicated that this general line characterized by "industrialization and three transformations" was a beacon illuminating all our work. Under this general line's guidance, a huge number of large and medium enterprises, with 156 key projects as the center, completed during the First Five-Year Plan continue to play their backbone role today. The socialist transformation of private ownership of the means of production

was smoothly and basically completed during the First Five-Year Plan, eliminating the exploiting system, and precious experiences in building socialism with Chinese characteristics were initially gained.

"The salvos from the October Revolution sent us Marxism-Leninism." China learned from and referred to Russia in China's own revolution and construction. Marxism tells us that no two things are exactly alike in this world. No country should copy intact another country's ways in pursuing revolution and construction. It is imperative to link Marxist-Leninist basic tenets to the actual conditions of one's own country. During the period of new democratic revolution, our party adopted the method of seizing political power with the countryside encircling the city based on China's national conditions and scored a victory in the revolution. When pursuing socialist construction, as Comrade Bo Yibo indicated, although "the experiences of the USSR were all we had to refer to, in many ways the Soviet practice was erroneous and we should only select sound experiences, while refraining from copying them intact. Otherwise, it would be dogmatism and result in major mistakes. Regarding the First Five-year Plan, there were points of referring to others' experiences as well as our unique creation and a good job was done in its formulation." (*Review* p 306)

The national economy has organic integrity and economic development must have a rational proportion; this is an objective economic law independent of man's will. Public ownership of the means of production is implemented in socialism. It is made possible precisely by realizing proportional and harmonious economic development through the national plan. We paid attention to a comprehensive balance in the First Five-year Plan. Based on China's conditions characterized by a weak industrial foundation, we implemented the guiding principle of giving priority to developing heavy industry. At the same time, however, we made appropriate arrangements for the development of agriculture, light industry, and other undertakings. Consequently, tremendous accomplishments were scored in implementing the First Five-Year Plan with sound economic results and social effects [she hui xiao yi 4357 2585 2400 4135]. (*Review* p 294)

We made breakthroughs with something new in the ownership structure, the regulating mechanism in economic operations, and in the market structure. In the "three main bodies and three complements" which Comrade Chen Yun set forth, namely: The state-run and collective economies being the main body and a certain volume of the individual economy being complementary; planned production being the main body and a free market based on market changes within the plan's scope being complementary; and the state market being the main body and a free market on a certain scope being complementary (*Review* p 495.) Its essential spirit lay in breaking through the Soviet economic pattern which had been considered sacred and inviolable. This

concept is still significant in realistic guidance to our establishing an economic structure characterized by public ownership as the main body, with the coexistence of diversified economies, and an economic operational mechanism "linking the planned economy to market regulation" today.

In the socialist transformation of agriculture, handicraft industry, capitalist industry, and commerce, our party paid attention to proceeding from China's actual conditions. As a result, "no major social turbulence surfaced. That was really a miracle. At that time, China's industrial and agricultural production was not impeded but developed, unlike some other countries where output dropped in consecutive years in the wake of agricultural collectivization." (*Review* p 464)

On learning from foreign countries, Comrade Bo Yibo quoted in *Review*, a very important statement by Mao Zedong, who said: "We must learn the advanced experiences of all countries. It is necessary to send people to learn technology from capitalist countries, be it Britain, France, Switzerland, or Norway. So long as they accept our students, we will let them go there!" However, that was impossible with imperialist countries headed by the United States implementing a blockade against China at that time. That being the case, we had to lean on the USSR. In addition, Mao Zedong said: "In learning from the USSR, we should refrain from being superstitious. We will learn what is correct but not those things proven to be wrong." (*Review* p 484) Today, when we are opening to the world, we should increasingly hold such an attitude of making concrete analysis and learn what is conducive to us but not to learn and import those things that are harmful.

II

In *Review*, Comrade Bo Yibo indicated: "Knowledge is derived from practice. Knowledge rarely develops in a linear direction." (p 459) During the First Five-Year Plan, there were shortcomings and deviations amid tremendous accomplishments.

According to the requirements of the general line for the transition period, it would take approximately 15 years to complete the tasks for transformation beginning in 1953. However, the results of implementation showed that by 1956, the tasks for transformation had been basically completed 12 years ahead of schedule. The socialist transformation of agriculture brought along the socialist transformation of capitalist industry and commerce as well as the handicraft industry, whose transformation was also completed 12 years ahead of schedule. Comrade Bo Yibo pointed out: "'Being overanxious for quick results,' and 'hasty change' inevitably resulted in 'crude work,' 'oversimplified unanimity in form' and 'leftover problems remaining unsolved for a long period'; whereas the 'enthusiasm for individual production' of the peasants and handicraftsmen failed to receive full play and the 'aspects conducive to the national plan and people's livelihood of capitalist industry and commerce were no longer utilized. Such a

condition was not necessarily favorable to the development of the socialist productive force." (*Review* p 461.) Besides, the rash advances in construction also surfaced in 1956." (*Review* p 398.)

The mistakes most liable to take place in our revolution and construction are precisely aiming too high, being overanxious for quick results, and doing things too fast. Regarding the causes for impatience and rash advances surfacing in the early days after the PRC's founding, Comrade Bo Yibo pointed out that this was "because in a large country like ours, which is poverty stricken and backward, a strong aspiration for rapidly changing the poverty stricken feature exists from the top to the grass roots. Impatience for success is liable to surface on the issue of construction and often finds expression in impatience and rash advances in guiding ideas."

Historical experiences and lessons have repeatedly told us that it is imperative for us to have sufficient understanding in the arduousness, complexity, and long-term nature of revolution and construction in China precisely because it is a large country stamped with poverty and backwardness. Things in China will not turn sour, nor will they improve, rapidly. China must take the socialist road under the CPC leadership. No forces whatsoever can change the Chinese people's determination to take the socialist road. However, building socialism in China is an arduous, complicated, and long-term task; we can only make steady progress and must refrain from being overanxious for success. Otherwise, haste makes waste.

In addition, Comrade Bo Yibo stressed: "These shortcomings and deviations occurred under the conditions of lacking practical experiences in the course of explorations. Mistakes are inevitable in exploration. The requirement for complete correctness with no deviations in exploration is to idealize exploration, while such idealized exploration does not exist in reality." (*Review* p 566.) This being the case, "we should not demand perfection at all times in historical practice and past struggles of the party and people. 'Criticizing' sages from history is not an attitude of historical materialism." (*Review* p 230.) Difficulties are seen only through one's own practice, which yields genuine knowledge. "Marxists are not fortune tellers" (*Review* p 28) and no one can foresee everything in the future, they can only be wise after an event. Even the sage Zhuge Liang [6175 5514 0081] made many mistakes strategically and tactically. No one in this world is free of mistakes and the difference lies in some people making more and bigger mistakes or otherwise.

III.

The intellectuals issue is always an important one in China's revolution and construction. "Revolution needs to absorb intellectuals and the more is it so in construction." (*Review* p 498.) In 1955, the Central Committee convoked a conference on intellectuals and issued the "CPC Central Committee Instruction on the Intellectuals issue," in which the task to "make progress in

science" was set forth and the enthusiasm of the broad intellectuals given great say. However, just as Comrade Bo Yibo indicated, our party has on several occasions wavered on the policy toward the intellectuals. "We cannot say that the issue has been well resolved as of now" (*Review* p 517.) A very important cause is that "for a long period, we have failed to see doing a good job of the intellectuals issue on the plane of 'stabilizing and governing the country.'" (*Review* p 517) and this is actually so. The intellectuals are an important component of the working class and are educated people with an enormous capacity for maneuver. Politically, China must stabilize the intellectuals to accomplish stability. Economically, modernization chiefly relies on progress in science and technology. In *Review*, Comrade Bo Yibo quoted Mao Zedong's statement, saying: "Our revolution today aims at technology, illiteracy, and ignorance" (*Review* p 507.) In technological and cultural revolution, the intellectuals are the main force. In particular, as "the world enters the age of high technology, science and technology are advancing by leaps and bounds. Should we fail to learn from historical experiences and not give play to the intellectuals' role to the maximum, it will be very difficult to narrow the gap between us and developed countries in science and technology. Instead the gap will widen." (*Review* p 518.) Comrade Deng Xiaoping stressed: "Science and technology are productive forces, and primary productive forces at that." Comrade Jiang Zemin pointed out the need "to genuinely shift economic construction onto the track of relying on progress in science and technology and improving workers' qualities." More necessary than ever, we should now attach greater importance to work concerning the intellectuals. It is imperative to augment education of the intellectuals, elevate their social status, and improve their living standards, especially scientists and technicians, so that they can serve socialism with single-hearted devotion.

IV

In *Review*, Comrade Bo Yibo explicitly summarized the fundamental cause of China having scored such tremendous accomplishments during the First Five-Year Plan in the early days after the PRC's founding: "The party and people's government roused themselves for vigorous efforts to make the country prosperous and practiced clean government; the people became masters of the country with all their democratic rights insured; inner-party political life was normal and party-people ties were close; party organizations at all levels and broad party members genuinely played a bastion, vanguard, and exemplary role in work, production, and social activities; and the party enjoyed a high reputation among the people. The key lies in leadership. In China, so long as the Communist Party is sound, nothing will go wrong with the country. However, problems surfaced right inside the party. Many of the representatives of those people who pursue bourgeois liberalization such as Fang Lizhi and his ilk are or were communists. That is a bitter lesson. Facing the three major tests of being in office,

reform and opening up, and "peaceful evolution" during the new historical period, it is imperative to augment party building ideologically, politically, and organizationally. We must oppose bourgeois liberalization on one hand and corruption on the other. Thus will our party surely win the people's infinite trust and heartfelt support and do a good job of China's affairs.

Comrade Bo Yibo's book is rich in content with solid discussion and profound ideas. It is a gem which we must earnestly study and propagate extensively to educate cadres and enlighten the younger generations. I hope that the book's second volume will be available at an early date.

Drapchi Prison Holds 89 Tibetan Separatists

HK0907113291 Hong Kong AFP in English 1122 GMT 9 Jul 91

[Text] Beijing, July 9 (AFP)—Lhasa's infamous Drapchi prison currently holds 89 Tibetans convicted of separatism, a British diplomatic source Tuesday quoted the prison governor as saying.

The governor told two British diplomats who visited Lhasa that 89 of some 300 convicts in his prison were guilty of the counter-revolutionary crime of splittism, the source said.

Among the prisoners was Lobsang Tenzin, a 25-year-old Tibetan student given a two-year suspended death sentence in January 1989 for killing a Chinese policeman.

The governor told the diplomats that Mr Lobsang Tenzin was in good health, contradicting a charge by the U.S.-based human rights group Asia Watch that he was in poor condition after repeated beatings and harsh prison conditions.

The diplomats, a first secretary and a second secretary at the British Embassy, returned to the Chinese capital after a nine-day fact-finding trip to Tibet that began June 24.

The British source said that an official at Lhasa's Higher People's Court confirmed that more protestors were arrested May 26, three days after celebrations for the 40th anniversary of what China calls the "peaceful liberation" of Tibet by its military in 1951.

The court official declined to say how many people were arrested or give details of their alleged crimes.

He said that since 1987, a total of 120 people had been sentenced for their part in anti-Chinese demonstrations, 50 on charges of counter-revolution and 70 of other crimes.

The breakdown appeared to contradict the numbers given by the prison warden.

It also indicated that more of the prisoners in Drapchi may be imprisoned for taking part in anti-government riots and demonstrations, the source said.

He said Buddhist monks in Tibet had asked the two diplomats for photographs of the Dalai Lama.

The Dalai Lama, Tibet's spiritual leader, fled to India in 1959 after a failed anti-Chinese uprising. He heads a government-in-exile in northern India that is not recognized by any country.

Tibetan nationalists, many of them monks and nuns, staged large-scale demonstrations in Lhasa in September 1987, March 1988 and again in March 1989, after which martial law was imposed for more than a year.

Scores of Tibetans were killed by Chinese troops during the riots according to Western reports.

Security Officers 'Allegedly' Involved in Fraud

HK1107022991 Hong Kong HONGKONG STANDARD
in English 11 Jul 91 p 1

[By Marcal Joanilho]

[Text] A U.S.\$1 million (HK\$7.8 million [Hong Kong dollars]) fraud has sparked a corruption scandal which allegedly involved at least several high ranking Chinese "spies" and a local senior police officer.

A chief inspector, recalled to Hong Kong during his holiday abroad, has been suspended following interrogation by Commercial Crime Bureau (CCB) officers.

Since the investigation in May, CCB officers have arrested three suspects, including a former officer of the Guangdong Public Security Bureau.

He claimed the fraud was related to several senior officers of the National Security Ministry—the Chinese version of CIA or KGB.

The third arrested, a mainland businessman, was detained in Lo Wu yesterday morning when entering Hong Kong.

The arrested public security officer had confessed he was also one of the officers of Beijing's spy network responsible for tracking down political dissidents following the June 4, 1989, crackdown.

Chief Superintendent Ben Munford, head of the CCB, said yesterday they could not establish the "real identity of the spy" for there was no way it could be verified.

"That is what he has claimed along with other things, but so far we have no proof," he said.

However, Chief Supt Munford confirmed they were investigating a U.S.\$1 million fraud case and that a local chief inspector had been suspended. Investigations have revealed that a "mainlander" deposited the U.S.\$1 million with a leading bank in Hong Kong in April.

But the following month the money was withdrawn by a man who produced "forged documents".

The fraud was not discovered until the depositor found the money had been missing from his account later that same month.

The bank then reported the case to the Commercial Crime Bureau.

Officers made their first arrest on June 2 which then led to the arrest of the "spy" last Saturday.

The "spy" made a series of allegations which included a corruption deal involving at least several high-ranking officers of the National Security Ministry.

A serving local police chief inspector was also named by the arrested spy.

The inspector, who was on leave at the time, was called back to Hong Kong from the United States and after being interviewed by CCB, was suspended.

The "arrested spy" alleged that while he was serving at the Guangdong Public Security Bureau he had come to know a number of Hong Kong senior police officers.

He also threatened to reveal the corruption deal which related to the missing U.S.\$1 million.

The "spy" further claimed the deal involved a number of senior mainland spies.

It was not immediately known whether the missing U.S.\$1 million was related to the \$10 million raised in Hong Kong to help smuggle political dissidents out of China under "Operation Yellow Bird".

Operation Yellow Bird has helped at least 300 dissidents wanted by the Beijing government in connection with the military crackdown in Tiananmen Square.

Last month one of the most wanted Chinese student leaders, Zhang Boli, 34, fled to the United States through Operation Yellow Bird.

Mr Zhang, the only Communist Party member on China's most wanted list of 21 student activists, had been on the run for two years before his great escape.

He was spirited out of Beijing under the noses of authorities at a time of tight security surrounding the second anniversary of the June 4 crackdown.

But investigators have been unable to get answers to a number of questions which they think would help solve the mystery.

One of the main hurdles is that they have yet to further interview the victim who deposited the U.S.\$1 million.

Chief Supt Munford said so far there was insufficient evidence to lay charges.

He said the two arrested suspects had been released on police bail while the businessman held at Lo Wu was still assisting with investigations.

'Wrongly' Jailed Reformist Rehabilitated

HK1007093291 Hong Kong MING PAO in Chinese
10 Jul 91 p 7

[Report: "Hunan Reformist Rehabilitated After Being Wronged, Jailed for 18 Months"]

[Text] News from Changsha: Gong Yanming, general manager of Hunan Provincial Import and Export Corporation's Yinhai Group and well-known reformist in Hunan, was recently rehabilitated after being jailed for 18 months on a false charge. Because the procuratorial personnel handling this case had taken advantage of power and bent the law to seek private benefits, the company suffered a cumulative loss of 10 million yuan. Gong Yanming was greatly tortured both mentally and physically. His wife became distraught and was often criticized by some enterprise cadres and workers for her behavior.

Sources from Hunan's judicial departments revealed that when he was in charge of the Yinhai Group of the Hunan Provincial Import and Export Corporation, 37-year-old Gong Yanming dared to blaze new trails and made his company one of the best in the province capable of creating profits and earning foreign exchange. He also became a noted person in his locality. People called him the "leading goose" [from his Chinese name Yanming, which means the sound of a wild goose] of reform.

However, beginning in 1989, Gong Yanming had often been criticized and investigated. In November 1989, the Eastern District People's Procuratorate of Changsha arrested him and jailed him on a charge of grafting 30,000 yuan of public funds and accepting 10,000 Hong Kong dollars in bribes from Hong Kong businessmen. From March to August last year, the people's procuratorate brought the lawsuit against him to the Eastern District Court on four occasions, but three of them were rejected by the court because "there is not sufficient evidence and facts are still unclear."

In August the same year, after handling the case and repeatedly consulting with the Intermediate People's Court of Changsha, the Eastern District Court held that there was no tenable evidence to prove Gong guilty. However, the Eastern District People's Procuratorate still did not release Gong. Gong was kept in jail for 18 months and was not released and rehabilitated only when the Supreme People's Procuratorate in Beijing and the central leaders gave special instructions on his case.

Although this unjust verdict was brought to light and reversed, it has caused serious harm to the victim and his family. Gong Yanming was severely hit both psychologically and physically; his wife was unable to cope with the impact and developed schizophrenia, and so far has not been cured. The wrongful arrest of Gong Yanming and long delay of the case turned the Yinhai Corporation from a big profit-making and foreign exchange-earning firm into an enterprise with serious losses. Accumulated losses now amount to 10 million yuan.

It was disclosed that when handling Gong Yanming's case, the relevant personnel of the Changsha Eastern District People's Procuratorate had taken advantage of their power to seek private benefits. In that period, the son of a chief procurator, surnamed Wang, was transferred to the Donghu Company in Shenzhen, which was under the Hunan Provincial Import and Export Corporation. At the same time, the personnel handling this case often stayed in high-class hotels at the expense of the said import and export corporation. They also obtained subsidies for their business trips. Apart from free meals and other expenses, each of them received 35 yuan a day.

Moreover, although Gong Yanming has been rehabilitated, the Eastern District People's Procuratorate of Changsha is still refusing to make an apology to the victim and his wife and to admit that they handled the case wrongly.

Inspection Commission's Anticorruption Report

HK0907063091 Hong Kong LIAOWANG
OVERSEAS EDITION in Chinese No 26, 1 Jul 91,
pp 5-6

[Article by Yao Lishi (6008 0500 4258): "Report From Central Discipline Inspection Commission, Central Organization Department, Ministry of Supervision"]

[Text] CPC Central Discipline Inspection Commission sources recently told LIAOWANG: In order to inspect the implementation of the "Decision on Strengthening the Party's Ties With the Masses" adopted by the Sixth Plenary Session of the 13th CPC Central Committee late last year, the CPC Central Discipline Inspection Commission, the CPC Central Organization Department, and the Ministry of Supervision dispatched three joint inspection groups to the four provinces of Shandong, Sichuan, Guangdong, and Hainan. The inspections were focused on the local conditions in strengthening party style building and combating corruption.

Through their earnest work, the joint inspection groups reached the same conclusion: On the whole, the overall atmosphere of attaching importance to party building has taken shape in throughout the party. The four provinces party committees and governments have adopted a series of resolute and effective measures for solving problems in their localities and preventing cadres from being divorced from the masses, and such measures have achieved marked results. Relations between the party and the masses have been improved. The work of party style building and anticorruption work both have been developing positively.

Changes in the Work Style of Leading Cadres

Party committees and governments at various levels in the four provinces all attached great importance to rectifying their leadership style, going deep into the grass-roots units, and strengthening their ties with the masses, and took this as one of their major tasks. Principal party and government leaders at various levels

have generally set up fixed connections with certain grass-roots units for gathering information, carrying out experiments, and offering assistance. They regularly go there to sum up work experience and solve concrete problems. In the first eight months of 1990, members of the Guangdong Provincial CPC Committee Standing Committee stayed in grass-roots units 88 days at most and 39 days at least. Similar conditions could be found in other provinces.

Last year, party and government institutions at various levels in Sichuan dispatched large numbers of cadres to grass-roots units to make investigations and studies, helping settle some specific problems, guiding the work of overcoming poverty, and enhancing their own work abilities. In Shandong, Guangdong, and Hainan, nearly 260,000 cadres were sent to grass-roots units. Between late 1989 and early 1990, the four provinces encountered such serious difficulties as products being stockpiled and the economy growing negatively. Quite a few enterprises were forced to suspend production wholly or partly. Sichuan's provincial party committee and government dispatched a large number of office cadres to enterprises. They helped the enterprises work out measures for tackling the difficulties, and many enterprises freed themselves from the predicaments. In Hainan Province, the masses in seven counties had difficulty in getting potable water. With the help of the work teams sent by the government, the problem was resolved in those localities.

Settling Problems of Which the Masses Have Most Strongly Complained

Party committees and governments at various levels in the four provinces made great efforts to earnestly solve the problems about which the masses had most strongly complained, and this has won praise and trust from the broad masses.

Marked results have been achieved in rectifying and checking the malpractice of building private houses in violation of laws and discipline among some cadres. In recent years, party and government cadres in the four provinces, especially leading cadres at and below the county level, were seriously involved in the malpractice of building private houses in violation of laws and discipline. In Suixi County, Guangdong Province, 83 leading cadres built private houses for their families on the same street, which was called "Bureaucrat Street" by the local masses. This created a very bad impression. Through screening the housing for cadres, various localities uncovered and handled a substantial number of disciplinary cases related to such illegal private house construction among local cadres, and many were serious cases. For example, Zhang Tiehan, former manager of the Housing Development Company of Yangjiang City, Guangdong Province, was found embezzling more than 1.2 million yuan of public money, when his private house was being investigated. At the same time, more than 80 cadres were found receiving bribes from Zhang. In Sichuan Province, more than 15,000 cases related to housing malpractice of party members and cadres were

investigated and handled. In Guangdong Province, the authorities investigated and handled 14,900 cases related to public-funded luxurious decoration of houses used by leading cadres at a cost higher than the standard. At present, the work of screening housing for cadres in Guangdong, Sichuan, and Shandong has entered the stage of settling the cases; and Hainan is also stepping up work in this field. The broad masses generally agree that it is right to deal with such malpractice at this stage.

Efforts have also been made to rectify some cadres' irregular practice of defaulting on returning money to the public accounts and using public money to pay their children's school tuition fees. Shandong and Sichuan gave priority to dealing with these two problems. In Shandong, cadres' default payment to the public accounts amounted to a total of 160 million yuan, of which 120 million yuan has been recovered. As for the problem of using public money to pay children's tuition fees, this mainly occurred among some leading cadres who got their work units to foot the bill for their children's training in some institutions of higher education after their children failed the entrance examination. In some cases, the units in which some leading cadres' children were working took the initiative in footing the education bill in order to curry favor with the leading cadres. In Shandong Province, there were 8,214 such cases under investigation, involving 12.82 million yuan of public funds. In Leshan City, Sichuan Province, 411 out of the 940 students who studied at their own expense in colleges had their tuition fees reimbursed from public funds; and seven out of the nine children of city-level cadres had their tuition fees reimbursed from public funds. At present, the cadres involved in these cases are facing serious disciplinary actions.

The work of screening and rectifying business companies is also developing in depth. In the whole province of Sichuan, a total of 3,571 companies have been dissolved or merged, with 991 of them, or 97 percent of the companies run by party and government institutions, being dissociated from party and government institutions, transferred to other business institutions, or simply dissolved. In Shandong Province, 4,137 companies which were set up in violation of the regulations have been dissolved or merged, accounting for 94 percent of such companies. In Guangdong and Hainan, the work of screening and rectifying business companies is also drawing to an end.

Efforts have also been made to further check the irregular practices in various trades and the irregular and unauthorized imposition of levies, charges, and fines and to improve the public supervision mechanisms. Grass-roots functionaries have become more conscious about keeping themselves honest and uncorrupt. Many people have declined gifts and bribes. For example, since 1989, in Sichuan industrial and commercial administrative institutions, more than 8,000 people have declined gifts and bribes worth over 700,000 yuan. In Shenzhen City, 1,663 functionaries and staffers in the past year declined bribes worth 1.19 million yuan plus 410,000 Hong Kong dollars.

The four provinces have taken action against every item of irregular and unauthorized imposition of levies, charges, and fines. In Sichuan Province, measures were adopted for lessening burdens bearing on peasants, with 94 fees and charges canceled or lowered, which left several hundred million yuan a year in the hands of the peasants. The provincial Public Security Department revoked or lowered the rate of 158 items, and thus lessened people's burdens by 78 million yuan. In Guangdong Province, the departments concerned adjusted or lowered the rate of 1,985 items of fees and charges, thus lessening people's burdens by more than 100 million yuan.

Resolutely Investigating and Handling Lawbreaking and Discipline-Violating Cases

Punishing corrupt officials is the linchpin upon which success or failure of the anticorruption effects depend. In the four provinces, most principal provincial, city, and county leading cadres are required to take responsibility for the handling of specific major and serious cases. In order to enhance the work efficiency in handling such cases through taking concerted action, a joint conference system among the discipline inspection, supervision, prosecuting, and other relevant departments were set up in most localities. In the first eight months of last year, the four provinces investigated and handled a total of more than 29,000 lawbreaking and discipline-violating cases, and meted out punishments to 396 cadres at and above the county-and-section level. The number of cases being handled greatly exceeded the previous year. There were two distinct characteristics in the work in this field:

First, the number of major economic cases of a serious nature increased. In Guangdong, economic cases accounted for 34.4 percent of all cases handed by discipline inspection commissions at various levels. Last year, 705 out of the 2,547 economic cases handled by the procuratorates throughout the province involved an amount over 10,000 yuan; seven cases among them involved an amount between 500,000 yuan and 1 million yuan; and 13 cases involved an amount over 1 million yuan. In one case, Zhang Wenlie, director of the Yingde County Public Security Bureau, accepted a huge amount of bribes through abusing his power for approving applications for urban residence and overseas travel. Aside from building a house worth over 200,000 yuan, he also hid more than 300,000 yuan of Renminbi banknotes and more than 60,000 Hong Kong Dollars in cash, four motorcycles, and 50 grams of gold jewelry in his house. Zhang has been expelled from the party, and will be brought to court for trial.

Second, the number of cases involving degenerate party members and corrupt cadres increased. Cases of this type accounted for 17.7 percent of all the cases handled by the Sichuan Discipline Inspection Commissions last year. In the industrial, transportation, financial, and trade departments, discipline cases involving party members accounted for as high as 45 percent of the total. There were 372 such cases handled by Guangdong discipline inspection commissions, or twice as many as in

the previous year. This showed that many corrupt cadres and degenerate party members had also become economic criminals.

Making Unremitting Efforts To Improve Party Style and Combat Corruption

When being interviewed by LIAOWANG, a responsible person of the joint inspection groups pointed out: Although progress has been made in improving party style and combating corruption, many problems still exist. For example, when market slackness appeared previously, some people proposed that efforts to combat corruption be relaxed to a certain degree. We should pay serious attention to such ideas. If it prevails, the results we have achieved in improving party style and combating corruption would be lost again. In the past few years, the public supervision mechanisms played a definite role in checking irregular practices in various trades. However, some institutions did not constantly and regularly make public the results of their affairs-handling as required by the rules.

This responsible official said: We must make unremitting efforts to continuously improve party style and combat corruption. We need to sum up our practical experience in this regard, correctly handle the relationship between the work of promoting economic prosperity and the work of improving party style and combating corruption, the relationship between exposing contradictions and stabilizing the situation, and the relationship between self-discipline and positive administrative measures. We should pay simultaneous attention to the handling of discipline cases and the establishment and improvement of rules and regulations, and must not neglect the latter. Practice has shown that it is an effective step to improve the rules and norms for standardizing party members' behavior and work style by discovering and stopping up loopholes in the existing rules and regulations. To sum up, we must be prepared to combat over a long time resolutely and persistently in order to guide the in-depth development of our work for improving party style and building clean government.

Reports on Population Control, Family Planning

Peng Peiyun at Beijing Forum

OW1007214091 Beijing XINHUA Domestic Service in Chinese 0825 GMT 10 Jul 91

[Text] Beijing, 10 July (XINHUA)—As 11 July is "World Population Day" as designated by the United Nations, people in the capital attended a forum today to discuss China's population control and social and economic development in the 1990's.

Peng Peiyun, chairman of the State Family Planning Commission, said: The world's population has grown from 5 billion on 11 July 1987 to 5.38 billion in four years and is expected to reach 6.3 billion by the end of this century. Controlling excessive population growth has become a pressing task for developing countries. Results of China's

fourth census show that compared with the 1970's, the total fertility rate, birth rate, and natural growth rate have dropped markedly. However, the population situation remains grim in the 1990s, especially during the Eighth Five-Year Plan period, which coincides with the third birth peak. Therefore, to control natural population growth under an annual average rate of 12.5 per thousand is a formidable task in the next decade. All localities should persistently conduct publicity and education on family planning, stress the use of contraceptives, and carry out work on a day-to-day basis so as to further improve the population situation.

Shao Huaze, editor-in-chief of RENMIN RIBAO, said: Family planning is an important matter having immediate as well as long-term implications. Legislation and education are the two pillars of family planning work. He said: Success in family planning depends on the people's initiative. We should educate the masses on the necessity for planned parenthood, which is a manifestation of one's profound sense of responsibility towards national development. Through education, the masses can understand the party's policy and difficulties facing the country.

Liu Zhongde, deputy director of the Propaganda Department of the CPC Central Committee, and Chang Chongxuan, executive vice president of the China Family Planning Association, also stressed the importance of mobilizing the masses in family planning. They said: Family planning conforms to the vital interests of the people, and everyone is a participant in family planning. We should trust and mobilize the masses in fostering a situation under which everyone attaches importance to family planning and works to control population growth.

Demographers Wu Cangping, Feng Litian, and Zha Ruichuan stressed the importance of encouraging good prenatal care, sound practice of bringing up children, and good education in the whole society. They called for making the 1990's a golden decade for voluntary control of population growth.

The forum was cosponsored by the Propaganda Department of the CPC Central Committee, the State Family Planning Commission, the China Family Planning Association, and RENMIN RIBAO. Yang Kuifu, vice chairman of the State Family Planning Commission, chaired the forum. Wu Luping, editor-in-chief of the People's Education Publishing House, Zhang Dejiang, magistrate of Pinggu County in Beijing, and Si-tu-ge-si [name as received], representative of the UN Population Fund to China, also spoke at the gathering.

RENMIN RIBAO Notes Urgency

OW1107090091 Beijing XINHUA in English
0646 GMT 11 Jul 91

[Text] Beijing, July 11 (XINHUA)—Population control will be of vital importance to the social and economic development of China in 1990's, according to the opinions of China's experts in the field of population control.

Today's "PEOPLE'S DAILY" [RENMIN RIBAO] covered the views the experts expressed during a recent seminar on population control and social development. Co-sponsored by the Propaganda Department of the Party Central Committee, the State Family Planning Commission (SFPC), China Family Planning Association and "PEOPLE'S DAILY", the seminar was held to mark "World Population Day" today.

Peng Peiyun, minister in charge of the SFPC, said that the world population has grown from five to 5.38 billion during the past four years, adding that it is expected to reach 6.3 billion by the end of the century.

Controlling population growth is the most urgent task developing countries must confront, she said, noting that China has successfully averted the birth of over 240 million people during the past two decades. She attributed the remarkable achievement to the country's widespread publicity campaign and its careful contraceptive measures.

Liu Zhongde, deputy head of the Propaganda Department, said that family planning should be one of the major principles in China, the most populous country in the world.

Shao Huaze, editor-in-chief of "PEOPLE'S DAILY", appealed for more legal regulations as well as policies and rules for guiding family planning.

Some population study experts said that the country should regard the 1990's as the golden age for population control, for it is extremely important to the country's social and economic development.

Rural Family Planning

HK0807010391 Beijing CHINA DAILY in English
8 Jul 91 p 3

[By staff reporter Zhu Baoxia]

[Text] Some 37,000 family planning service centres will be built in rural towns over the next five years.

At the same time, the over 2,300 county-level service centres will be improved to help implement the country's birth control strategy at the grassroots level, according to Wu Jingchun, deputy director of the State Family Planning Commission.

The centres will publicize the state's family planning policy, educate people about family planning, offer health care to women of child-bearing age, and distribute contraceptives.

Speaking at a national conference on scientific and technical advancements relating to family planning on Saturday in Beijing, Wu urged that more safe and effective contraceptives be developed in the Eighth-Five-Year Plan period (1991-95), specifically new intrauterine devices and contraceptive vaccines.

The state hopes to limit the annual population growth rate to 12.5 per thousand in the coming decade and new birth control methods are thought to play a key role in reaching this goal.

About 240 million births were averted in the country in the past 20 years owing to research on contraceptives and other birth control techniques, Wu said.

Statistics last year revealed that sterilization is the preferred birth control method of 49 percent of women who have had children. Meanwhile 40.6 percent of women who used contraceptives were found to prefer intrauterine devices.

In the vast rural areas, where 80 per cent of the total population lives, long-term methods of birth control are being welcomed to curb the rapid population increase.

Data show that China is entering a period of high fertility and that by 1995 322 million women will be of child-bearing age (15-49), an increase of 8.1 percent from the 1985-90 period. And 122 million women will be at the prime age of fertility, or between the ages of 23 and 29, by 1995, an increase of 16.2 percent over the 1985-90 period.

Wu stressed that international cooperation in the area of population control should be strengthened and expanded.

During the past five years, family planning agencies in China have cooperated with the World Health Organization (WHO), United Nations Fund for Population Activities and foreign countries.

Rural Population Exceeds 900 Million

OW1207135491 Beijing XINHUA in English
0653 GMT 12 Jul 91

[Text] Beijing, July 12 (XINHUA)—Recent statistics show that China's rural population now exceeds 900 million.

The statistics indicate that the rural population still accounts for some 80 percent of the country's total population.

This year, the total population on the mainland of China reached 1.15 billion, of which 910 million live in rural areas.

The rural population, which increases at a rate of 13 million per year, is of great concern to Chinese officials who are worried about rural employment. In addition, they are concerned about the decreasing land per capita.

It will be necessary for the current surplus of over 100 million rural laborers to change their jobs to other industries and trades.

Experts urge that it is urgent that the country solve the problem of employment of rural surplus laborers.

The experts estimate that the total rural population may reach one billion by the end of this century.

Shanghai Census Issued

OW0807142791 Beijing XINHUA in English
1208 GMT 8 Jul 91

[Text] Beijing, July 8 (XINHUA)—Almost three-fourths of Shanghai's population aged 15 and above get married, a proportion much higher than the national average, according to the State Statistics Bureau.

According to the ninth bulletin on the fourth national population census conducted in 1990, the national average of the proportion of people aged 15 and above who are married is 68.15 percent, while the figure of Shanghai is 74.98 percent.

The bulletin issued by the State Statistics Bureau is based on a 10 percent sample survey of the census on the marriage and women's birth rates in 30 provinces, autonomous regions and cities.

The marriage percentage of people aged 15 and above in 14 provinces, autonomous regions and cities also exceed the national average.

According to the bulletin, Shanghai did best in family planning in 1989:

—Only 4.132 percent of Shanghai women of child-bearing age gave birth to children in 1989, compared with 4.741 percent in Beijing.

The above two figures are much lower than the national average of 7.954 percent. Altogether, there are 11 provinces, autonomous regions and cities in which the birth rates among women of childbearing age were lower than the national average.

—Among Shanghai's women who gave birth to children in 1989, 92 percent had their children for the first time, a proportion much higher than the national average of 49.51 percent.

The national average percentage is lower than the average in 10 provinces, autonomous regions and cities.

—Among Shanghai's women who gave birth to children in 1989, only 0.66 percent gave birth to a third child, much lower than the national average of 19.32 percent.

In all, the rates in 13 other provinces, autonomous regions and cities were lower than the national average.

NPC Issues Tobacco Monopoly Law

OW0207074991 Beijing XINHUA Domestic Service
in Chinese 1320 GMT 29 Jun 91

[PRC Tobacco Monopoly Law: Adopted by the 20th Session of the Standing Committee of the Seventh National People's Congress on 29 June 1991]

[Text] Beijing, 29 Jun (XINHUA)—

Chapter I General Principles

Article 1. This law is formulated to manage the tobacco monopoly, organize the production and sale of monopolized tobacco items in a planned manner, improve the quality of tobacco products, safeguard the consumers' interests, and guarantee state financial revenue.

Article 2. Monopolized tobacco items in this law refer to cigarettes, cigars, pipe tobacco, double cured tobacco, leaf tobacco, cigarette papers, filter tips, smoke filaments, and special machinery for tobacco use.

Cigarettes, cigars, pipe tobacco and double cured tobacco are generally called tobacco products.

Article 3. The state holds monopoly over the production, sales, export and import of monopolized tobacco items as prescribed by law, and implements the system of tobacco monopoly license.

Article 4. The State Council's Leading Administrative Department of Tobacco Monopoly [LADTM] in charge of the work on tobacco monopoly throughout the nation. LADTM of provinces, autonomous regions, and municipalities are in charge of the work on tobacco monopoly in areas under their jurisdiction. They are subjected to the leadership of the LADTM under the State Council and the leadership of the provincial, autonomous regional, and municipal people's governments. They are mainly under the leadership of the LADTM under the State Council.

Article 5. The state shall step up scientific research on, and technological development of monopolized tobacco items, improve the quality of tobacco products, and lower the contents of tar and other harmful ingredients.

The state and society shall step up propaganda and education on health hazards of smoking, prohibit or restrict smoking on means of public transportation and in public places, dissuade young people from smoking, and prohibit smoking by primary and secondary school students.

Article 6. When exercising tobacco monopoly in areas with regional autonomy for nationalities, the state shall follow this law and the relevant stipulations of the Law of Regional Autonomy for Nationalities, take account of the interests of the areas with autonomy for nationalities, and make allowances for planting of tobacco and making of tobacco products in these areas.

Chapter II Planting, Procurement and Allocation of Tobacco

Article 7. Leaf tobacco in this law refers to flue-cured tobacco and famous sun-cured tobacco needed for making tobacco products. The list of famous sun-cured tobacco is drawn up the LADTM under the State Council.

Other sun-cured tobacco not contained in the list of famous sun-cured tobacco may be sold on country trade fairs.

Article 8. In planting tobacco, it is necessary to cultivate and popularize fine strains of tobacco suitable to local conditions. Local tobacco corporations shall organize

the supply of the fine strains of tobacco which have been examined and approved by the tobacco strains examination committees at the national and the provincial levels.

Article 9. Tobacco procurement plan is issued by the planning department of the local people's government at and above county level according to the plan issued by the planning department of the State Council. This plan cannot be changed by other units and individuals.

Tobacco corporations or their entrusted units should sign tobacco procurement contracts with tobacco growers. These contracts should specify the acreage planted to tobacco.

Tobacco procurement prices are fixed by the State Council's Leading Department in Prices in coordination with the State Council's LADTM according to the principle of fixing prices for different grades.

Article 10. Leaf tobacco shall be purchased exclusively by tobacco corporations or their entrusted units in accordance with the procurement standards and prices stipulated by the state. No other unit or individual is allowed to make such purchase.

Tobacco corporations and their entrusted units shall purchase all the leaf tobacco that the growers produced from the acreage of the fields agreed upon in the leaf tobacco procurement contracts at the prices set by the state on the basis of quality. They shall not reduce the price by unreasonably downgrading the quality and shall properly deal with the dispute arising from the purchase of leaf tobacco.

Article 11. Plans for transfer of supplies of leaf tobacco and double-cured tobacco between provinces, autonomous regions, and municipalities shall be formulated and distributed to them by the planning department of the State Council. Plans for transfer of supplies of leaf tobacco and double-cured tobacco within provinces, autonomous regions, and municipalities shall be formulated and distributed to the units concerned by the planning departments of the provinces, autonomous regions, and municipalities concerned. No other unit or individual is allowed to change the plan.

Contracts shall be signed for the transfer of supplies of leaf tobacco and double-cured tobacco.

Chapter III Production of Tobacco Products

Article 12. For the establishment of enterprises making tobacco products, approval by the State Council's LADTM is required, licenses for tobacco monopoly production enterprises must be obtained, and registration must be made with the industrial and commercial administrative departments. For division, amalgamation, and close down of such enterprises, approval must be obtained from the State Council's

LADTM, and registrations with the industrial and commercial administrative departments must be changed or canceled accordingly. Industrial and commercial administrative departments shall not permit the registration of those without licenses for tobacco monopoly production enterprises.

Article 13. Capital construction or technological transformation carried out by enterprises making tobacco products for the purpose of boosting productive capacities must be approved by the State Council's LADTM.

Article 14. Total annual production plans for cigarettes and cigars in various provinces, autonomous regions, and municipalities shall be formulated and distributed to them by the planning department of the State Council. Total annual production plans for cigarettes and cigars of enterprises making tobacco products shall be formulated and distributed to them by the LADTM based on the plans of the planning department of the State Council and in light of the market condition. Local people's governments shall not assigned extra production tasks to enterprises making tobacco products. If an enterprise making tobacco products needs to produce more cigarettes and cigars than its total annual production plan because of the market condition, approval must be obtained from the State Council's LADTM.

The national tobacco corporation shall distribute output targets of various grades and kinds of cigarettes to tobacco corporations at the provincial level in accordance with the total annual production plans distributed by the planning department of the State Council. Tobacco corporations at the provincial level shall distribute output targets of various grades and kinds of cigarettes to enterprises making tobacco products in accordance with the output targets of various grades and kinds of cigarettes distributed by the national tobacco corporation and in light of the market condition. Based on the market condition, enterprises making tobacco products may make proper adjustments of the output targets of various grades and kinds of cigarettes within the frame work of their total annual production plans.

Chapter IV Marketing and Transportation of Tobacco Products

Article 15. Enterprises engaged in wholesales of tobacco products must be approved by the State Council's LADTM or LADTM at the provincial level. They must have licenses for tobacco monopoly wholesale enterprises and the permission granted by industrial and commercial administrative departments for registration.

Article 16. Delegated by the LADTM at the next higher level, industrial and commercial administrative departments of the county people's governments shall examine and approve the issuance of tobacco monopoly retail sales licenses to enterprises or individuals engaged in retail sales of tobacco products. Where LADTM have been established, such departments may examine and approve the issuance of tobacco monopoly retail sales licenses.

Article 17. The State Council's LADTM, together with the Price Administrative Department of the State Council, select certain brands of cigarettes of various grades as representative products. Prices of representative products shall be set by the State Council's price administrative department together with the State Council's LADTM. Prices of cigarettes other than representative products, cigars, and pipe tobacco shall be set by the State Council's LADTM or by its authorized provincial, regional, and municipal LADTM and shall be reported to the price administrative departments of the State Council or of the provincial, regional, and municipal people's government for the record.

Article 18. The state shall set the standard grades of tar contents in cigarettes and cigars. Packages of cigarettes and cigars shall show the tar content grades and the words "smoking is harmful to health."

Article 19. It is prohibited to broadcast and publish advertisements on tobacco products over radio and television stations, and in newspapers and journals.

Article 20. Applications for trade mark registration should be filed for cigarettes, cigars and packaged pipe tobacco. Production and marketing are prohibited without approval and registration.

It is prohibited to produce and market tobacco products that counterfeit other people's registered trade marks.

Article 21. The trade mark design for a tobacco product should be printed by an enterprise designated by the administration for industry and commerce at the provincial level. Non-designated enterprises are not allowed to print trade mark designs of tobacco products.

Article 22. Shipping monopolized tobacco items on consignment or on one's own requires a shipping permit signed and issued by the LADTM or its authorized office. The shipper is not allowed to ship monopolized tobacco items without a shipping permit.

Article 23. The quantity of leaf tobacco and tobacco products mailed and hand carried from place to place should not exceed the limit set by the LADTM.

Article 24. The quantity of tobacco products hand carried by individuals entering China should not exceed the limit set by the LADTM.

Chapter V Production and Sales of Cigarette Paper, Filter Tip, Smoke Filament, and Special Machinery for Tobacco Use

Article 25. Enterprises producing cigarette paper, filter tips, smoke filament, and special machinery for tobacco use should apply for approval to the LADTM under the State Council and secure the license for monopoly tobacco producing enterprises.

Special machinery for tobacco use in this law refers to the whole set of special-purpose machine for tobacco use.

Article 26. Enterprises producing cigarette paper, filter tips, smoke filament, and special machinery for tobacco use should arrange their production according to the plan of the LADTM under the State Council and according to the order contract signed with the tobacco products producing enterprises.

Article 27. Enterprises producing cigarette paper, filter tips, smoke filament, and special machinery for tobacco use can only market their products to tobacco corporations and tobacco products producing enterprises that hold the license for enterprises producing monopoly tobacco.

Chapter VI Import-Export Trade and Economic and Technical Cooperation with Foreign Countries

Article 28. In accordance with the State Council's stipulations, the LADTM under the State Council shall manage the import-export trade and economic and technical cooperation with foreign countries for the tobacco industry.

Article 29. Enterprises that import and export monopolized tobacco items, handle consignment sales of foreign tobacco products, or market and purchase tax-free foreign tobacco products in locations under the supervision and control of the customs office should get the approval of the LADTM under the State Council or the LADTM at the provincial level, and secure a special license for enterprises marketing monopoly tobacco.

As stipulated by the LADTM under the State Council, enterprises holding the special license for monopoly tobacco marketing enterprises should submit to the LADTM under the State Council their plans and reports on the goods ordered, sold, and stocked

Chapter VII Legal Responsibilities

Article 30. Those who unilaterally procure tobacco in violation of this law shall be fined by the LADTM, and the illegally procured tobacco shall be purchased at the state-fixed prices. If a huge quantity is involved, the illegally procured tobacco and the illegal earnings shall be confiscated.

Article 31. Those who ship monopolized tobacco items on consignment or on one's own without a shipping permit or in excess of the quantity specified in the shipping permit shall be fined by the LADTM, and the illegally shipped monopolized tobacco items may be procured according to the state-fixed prices. In serious cases, the illegally shipped monopolized tobacco items and the illegal earnings shall be confiscated.

Shippers who clearly know they are shipping monopolized tobacco items for units or individuals without shipping permits shall be fined, and their illicit income confiscated, by the LADTM.

Those who hand carry from one place to another leaf tobacco or tobacco products whose quantity is limited but exceeds state regulations to a large extent shall be dealt with according to Section 1.

Article 32. Units producing tobacco products without licenses for tobacco monopoly production enterprises shall be ordered to close down and pay fines, and their illicit income confiscated, by the LADTM.

Units producing cigarette papers, filter tips, smoke filaments and special machinery for tobacco use without licenses for tobacco monopoly production enterprises shall be ordered to stop producing the above-mentioned products and pay fines, and their illicit income confiscated, by the LADTM.

Article 33. Units conducting tobacco products wholesale business without licenses for tobacco monopoly wholesale enterprises shall be ordered to close down or stop conducting business and pay fines, and their illicit income confiscated, by the LADTM.

Article 34. Those who import and export monopolized tobacco items, handle consignment sales of foreign tobacco products, or purchase and sell duty-free foreign tobacco products without special licenses for tobacco monopoly marketing enterprises shall be ordered to stop doing the above-mentioned business and pay fines, and their illicit income confiscated, by the LADTM.

Article 35. Those who conduct tobacco products retail business without licenses for tobacco monopoly retail business shall be ordered to stop doing this business and pay fines, and their illicit income confiscated, by the industrial and commercial administrative and management departments.

Article 36. Units producing cigarettes, cigars and packed pipe tobacco without the registered trademark shall be ordered to stop production and sale and pay fines by the industrial and commercial administrative and management departments.

Units producing or selling tobacco products with imitations of other people's registered trademarks shall be ordered to stop infringing upon other people's rights, compensate for the losses of those whose rights are infringed upon, and pay fines, by the industrial and commercial administrative and management departments; those who have committed crimes shall be investigated so the responsibility for criminal cases can be affixed according to law.

Article 37. Those who violate Article 21 of this law by illegally printing trademark labels for tobacco products shall be fined, and their printed trademark labels destroyed and their illicit income confiscated, by the industrial and commercial administrative and management departments.

Article 38. Those who commit a crime of profiteering by reselling monopolized tobacco items at a profit shall be investigated so the responsibility for criminal cases can be affixed according to law; if their cases are not serious and no crimes have been committed, their monopolized tobacco items and illicit income shall be confiscated, and

they may also be fined, by the industrial and commercial administrative and management departments.

Personnel of the LADTM and tobacco corporations who commit the crimes listed in the above section by abusing their power shall be severely punished according to law.

Article 39. Those who forge or tamper with licenses for tobacco monopoly production enterprises, licenses for tobacco monopoly marketing businesses, other licenses and shipping permits as stipulated by this law shall be investigated so the responsibility for their criminal cases can be affixed according to law.

Those who buy or sell licenses for tobacco monopoly production enterprises, licenses for tobacco monopoly marketing businesses, other licenses and shipping permits stipulated by this law shall be investigated so the responsibility for their criminal case can be affixed in the light of the stipulations under Article 117 of the Criminal Law.

Personnel of the LADTM and tobacco corporations who commit the crimes listed in the above two sections by abusing their power shall be severely punished according to law.

Article 40. If the smuggling of monopolized tobacco items constitute a crime, offenders shall be held accountable for their criminal responsibilities according to the supplementary provisions on penalties for the crime of smuggling. If the smuggling of monopolized tobacco items does not constitute a crime because the quantity involved is not large, the customs office shall confiscate the smuggled goods and articles as well as the illegal earnings, and may impose incidental fines.

Working personnel of the LADTM and the tobacco corporations who take advantage of their offices and commit the aforementioned crimes shall be severely punished.

Article 41. The LADTM have the right to review the implementation of this law. Those who resort to violence and intimidation in obstructing tobacco monopoly inspectors from performing their duties according to the law shall be held accountable for their criminal responsibilities. Those who reject tobacco monopoly inspectors and obstruct them from performing their duties according to the law but who do not resort to violence and intimidation are punishable by the public security organs according to the Regulations Governing Penalties for Public Security Violations.

Article 42. Working personnel of the people's court and the departments concerned handling the cases of law violation who privately divide up the confiscated tobacco products shall be held accountable for their criminal responsibilities according to the provisions in Article 1 and Article 2 of the Supplementary Regulations on Penalties for the Crime of Corruption and Bribery.

Working personnel of the people's court and the departments concerned handling cases of law violation who purchase the confiscated tobacco products shall be

ordered to return the products, and administrative disciplinary actions shall be taken against them.

Article 43. Administrative disciplinary actions shall be taken against working personnel of the LADTM and tobacco corporations who abuse their power, engage in fraud to benefit relatives and friends, or neglect their duties. In serious cases where the offenses constitute crime, the offenders shall be held accountable for their criminal responsibilities according to the law.

Article 44. The party concerned who does not agree to the decision on administrative penalties adopted by the LADTM and the administrative departments for industry and commerce may, within 15 days after receipt of the penalty notice, apply for a review to the organ at the next higher level than the organ that adopted the penalty decision. The party concerned may also, within 15 days after receipt of the penalty notice, directly file a lawsuit at the people's court.

The reviewing organ shall make a review decision within 60 days after receipt of the application for a review. The party concerned who does not agree to the review decision may, within 15 days after receipt of the review decision, file a lawsuit at the people's court. If the reviewing organ fails to make a review decision within the set period, the party concerned may, within 15 days after the expiration of the review period, file a lawsuit at the people's court.

If the party concerned does not apply for a review, file a lawsuit at the people's court, or implement the penalty decision within the set period, the organ making the penalty decision may call on the people's court to forcefully implement the decision.

Chapter VIII Supplementary Provisions

Article 45. The State Council shall formulate the regulations for implementation based on this law.

Article 46. This law takes effect on 1 January 1992. The "Regulations on Tobacco Monopoly" promulgated by the State Council on 23 September 1983 will be nullified at the same time.

Appendices:

Related clauses of the law

Related articles in the Criminal Law

Article 117. Whoever violates the laws and regulations on the control of monetary affairs, foreign exchange, gold and silver, or industrial and commercial affairs, engaging in speculation, if the circumstances are serious, is to be sentenced to not more than three years of fixed-term imprisonment or criminal detention, and may in addition or exclusively be sentenced to a fine or confiscation of property.

Article 118. Whoever makes a regular occupation of smuggling or speculation, or smuggles or speculates in

huge amounts, or is ringleader of a group that smuggles or speculates, is to be sentenced to not less than three years and not more than ten years of fixed-term imprisonment, and may in addition be sentenced to confiscation of property.

Article 119. State personnel who take advantage of their office to commit the crime of smuggling or speculation are to be given a heavier punishment.

Article 127. Where, in violation of the laws and regulations on trademark control, an industrial or commercial enterprise falsely passes off trademarks already registered by another enterprise, the persons directly responsible are to be sentenced to not more than three years of fixed-term imprisonment, criminal detention or a fine.

Article 167. Whoever forges, alters or steals, forcibly seizes or destroys official documents, certificates or seals of state organs, enterprises, institutions or people's organizations is to be sentenced to not more than three years of fixed-term imprisonment, criminal detention, control or deprivation of political rights; when the circumstances are serious the sentence is to be not less than three years and not more than ten years of fixed-term imprisonment.

Article 157. Whoever, by violent or threatening methods, obstructs state personnel from carrying out their functions according to law, or refuses to carry out judgments or orders of people's courts that already have become legally effective, is to be sentenced to not more than three years of fixed-term imprisonment, criminal detention, a fine or deprivation of political rights.

Related provisions in the Decision Regarding the Severe Punishment of Criminals Who Seriously Undermine the Economy

1. The following supplementations and revisions are to be made to the relevant provisions of the Criminal Law:

(1) With respect to the crimes of seeking exorbitant profits through smuggling, speculative arbitrage and speculation in Article 118 of the Criminal Law, the crime of theft in Article 152, the crime of sale of narcotics in Article 171, the crime of stealing and exporting precious cultural relics in Article 173, their sentencing is respectively supplemented or revised as follows: When the circumstances are particularly serious, the sentence is to be not less than ten years of fixed-term imprisonment, life imprisonment or death, and the offender may in addition be sentenced to confiscation of property.

Related provisions in the Regulations on Penalties for Public Security Violations

Article 19. Whoever has any of the following behaviors that interfere with public order and do not justify criminal penalties shall be detained for not more than 15 days, fined for not more than 200 yuan, or served a warning:

(7) Reject state functionaries and obstruct them from carrying out their functions according to the law, but do not resort to violence and intimidation.

Economic & Agricultural

Li Peng, Zhu Rongji Urge End to 'Debt Chains'

OW0707131391 Beijing XINHUA Domestic Service in Chinese 0716 GMT 4 Jul 91

[By reporter Mou Fengjing [3664 0023 0079]

[Text] Shenyang, 4 Jul (XINHUA)—A meeting on liquidating debts held by three provinces and four cities in northeast China, which ended on 2 July, transmitted the following new message: The State Council has resolutely determined to solve the problem of "debt chains" and the perplexing issue of getting into more debt after repaying earlier debts, and has selected Liaoning Province as a testing place where five strong measures will be adopted to effect a permanent cure to the root of the problem.

In recent years "three-party debt chains" and "multi-party debt chains" have become new problems of a serious nature in the economic life of our country. Last year, the state and various provinces and municipalities spent great efforts to break "three-party debt chains" and cleared up 60 billion yuan of debts, accounting for 60 percent of all debts. However, owing to the fact that the root causes of the problem were not thoroughly overhauled, as of the end of the second quarter of this year, the total amount involved in "three-party debt chains" became greater than that of early last year. The situation in Liaoning Province was especially serious. In 1990, the province cleared up "three-party debt chains" with a total amount of 14.5 billion yuan, which was equivalent to 90.6 percent of the total amount of such debts at the beginning of that year. However, various units in the province got into more debt after repaying earlier debts and, as of the end of May of this year, the total amount of three-party debts rose to 26 billion yuan. This has seriously affected normal economic activities.

The main reason for owing more and more in "three-party debt chains" and getting into more debt after repaying earlier debts is because the sources of the debts have not been straightened up. The problems included: Funds for fixed asset investment were in default and financial appropriations and refunds were not given to enterprises—which in turn did not have enough money to pay for commodities; some enterprises suffered serious economic losses; products of some enterprises were overstocked and large amount of funds were held up; various units did not have a good concept of credit; there was disorder in trade; and various units did not have good discipline in settling accounts.

Premier Li Peng recently pointed out: We should consider breaking "three-party debt chains" as a breakthrough point in raising the economic efficiency of various enterprises. Vice Premier Zhu Rongji, who is in charge of the task, pointed out: We should criticize the viewpoints that it is right to have debts and that by having debts it is possible to bring about economic efficiency. In light of the situation, the work of breaking "three-party debt chains" in Liaoning will get to the root of the problem, by exerting

great efforts to prevent new arrears, new cases of inadequacy of funds in making investments, new overstockings of commodities, and new economic losses. The five specific measures are as follows:

1. In capital construction and technological renovation projects, it is necessary to adhere to the principle of "making sure to obtain funds before the start of construction work" and doing what a unit is capable of doing. Starting a project or construction work without sufficient funds will be strictly forbidden. The existing construction projects should be straightened out. Those projects which produce items without a good market should all be postponed.

2. Financial units should find ways and means to gather sufficient funds to solve the problem of not appropriating funds, not giving out refunds and not paying compensation. Liaoning Province will mobilize the whole province to practice economy. The administrative expenditures and conference fees of all units should be reduced by 10 percent as compared with those of last year, and the replacement or procurement of new sedans should also be strictly controlled in order to reduce expenditures and refrain from incurring new debts.

3. It is necessary to firmly grasp the work of adjusting the production structure, reduce the overstocking of products, promote sales, seriously implement state industrial and production policies, and adhere to the principle of taking the sales in the market into consideration in making a production plan. Enterprises which produce overstocked commodities should be closed for readjustment.

4. It is necessary to adopt various measures to control losses. Those enterprises which have a history of poor management and cannot change from suffering losses to making profits within a short period should all be closed for readjustment. Toward some large enterprises which suffer from economic losses, we should give them assistance and establish a responsibility system to promote their change from suffering losses to making profits. We should create conditions and assist enterprises which have hope to change from suffering losses to making profits.

5. It is necessary to supplement enterprises' revolving funds by raising their own funds. All enterprises should strictly follow state regulations and put 10 to 15 percent of their retained profits after paying taxes to the state into their revolving fund.

In order to insure the implementation of the above measures, industrial and commercial departments, units in charge of enterprises and banks should seriously improve trade and financial order and strengthen discipline in accounting work. Enterprises should strictly fulfill their contracts, attach importance to good credit, and observe commercial ethics. Banks should settle accounts in a just manner, protect the legitimate rights of buyers and sellers, strictly implement accounting discipline, supervise and support enterprises in making payments by installments, and should take the initiative to debit or transfer money and charge fines for delayed

payments if enterprises have payments in arrears or intentionally delay payment.

Yang Rudai Inspects Burmese Border Trade

*OW2506075991 Beijing XINHUA in English
0704 GMT 25 Jun 91*

[Text] Kunming, June 25 (XINHUA)—As Shanghai and the surrounding areas in east China approach a new upsurge in further opening to the outside world, southwest China is striving to boost trade and cooperation with the neighbouring Southeast Asian countries.

Southwest China consists of Sichuan, Yunnan, and Guizhou provinces and the Tibet Autonomous Region, which are close to Southeast Asian countries.

Backed by the Central Government, the three provinces are positively improving investment conditions for business people coming from Southeast Asia via Yunnan Province, which is bounded on the south by Vietnam, Laos, and Burma.

Early this year, the Yunnan Provincial Government held a meeting in Dehong Prefecture, bordering on Burma, and decided to set up a border trade zone in Jiegao, Ruili County.

After inspecting the Sino-Burmese border, Yang Rudai, member of the Political Bureau of the Central Committee of the Communist Party of China (CPC) and secretary of the Sichuan provincial party committee, called on Guizhou and Yunnan provinces to make concerted efforts with Sichuan to jointly open further to Southeast Asia in a bid to boost their economies.

According to He Yongxian, deputy mayor of Chengdu, capital of Sichuan, a group consisting of 20 industrial companies will be formed to set up a trading center in Jiegao.

Covering only 2.6 sq km, Jiegao has received more than 15,000 business people from at home and abroad since it prepared to become an economic zone. Altogether, 160 firms have expressed strong interest in Jiegao, which has already concluded agreements involving more than 100 million yuan of investment.

A survey report shows that although Sichuan, Guizhou, and Yunnan provinces have set up hundreds of agencies in coastal areas to link themselves economically with the outside world, they still lag behind the rest of the country in this respect owing to their geographical location.

According to incomplete statistics, the export volume of the three provinces last year accounted for less than three percent of the country's total for the same year. These provinces have a total of 300 foreign-funded enterprises, fewer than some counties on the Pearl River Delta.

In contrast, trade on Yunnan's 4,000 km of border with Vietnam, Laos, and Burma is booming. Last year saw the province's border trade account for one third of the country's total such trade.

One example is Dehong Prefecture, of which the trade volume has increased by 18 times since it became a border trading center five years ago. The varieties of goods for import and export have expanded from a few dozen five years ago to more than 700 at present.

According to Prof. Chen Lufan, director of the Yunnan Institute of Southeast Asia, it is a natural and wise choice for southwest China to open further to Southeast Asia.

In addition to its geographical location, the director explained, southwest China has a tradition of friendly contacts with the neighboring countries.

As early as 2,000 years ago, Dehong was the communications hub of the southwest "Silk Road," where caravans carried brocade and bamboo goods as well as arts and handicrafts made in Sichuan to Burma and other countries.

Starting in the 1950s, Yunnan, Sichuan, and Guizhou provinces began to help Southeast Asian countries construct dozens of industrial projects covering machinery, electronics, building materials, mines, highways, textiles, and food processing.

According to an expert from Thailand, these projects are still playing important roles in Thailand and other Southeast Asian countries.

Tian Jiyun Addresses Foreign Investment Symposium

OW2806035791 Beijing XINHUA Domestic Service in Chinese 1305 GMT 27 Jun 91

[By reporters Sheng Zuren (4141 4371 0088) and Zhang Yi (1728 3015)]

[Text] Beijing, 27 Jun (XINHUA)—At a symposium on the work concerning overseas investment this afternoon, Vice Premier Tian Jiyun pointed out emphatically that while trying to maintain steady quantitative growth in using foreign capital, greater importance should be attached to the quality and economic results of overseas investment and continuously raising the standard of work relating to overseas investment.

Tian Jiyun said: For more than three years, since 1988, China has made important headway and established new levels in using foreign investment. Overseas-invested enterprises are playing an increasingly important role in the economic development of our country. In some areas, they have become an indispensable factor in local economic growth. In the long run, foreign-invested enterprises will continue to play an important role in our country's economic life.

Tian Jiyun pointed out: During the Eighth Five-Year Plan and the entire decade of the 1990's, priority must be given to actively promoting the quality and economic efficiency in

using foreign investment. It should not be confined to product quality and economic efficiency of enterprises; what is of greater importance are the socioeconomic results and macroeconomic results. Overseas investment should be guided according to the needs of national economic development, and attention must be paid to raising the quality and technological levels of new projects.

Tian Jiyun finally pointed out: The key to higher quality and better economic results for overseas investment lies in improving the standard of work concerning overseas investment. It is necessary to continuously improve the investment environment, strengthen the management and supervision of foreign-invested enterprises, and earnestly strive to speedily resolve the existing work-related problems.

The symposium on foreign investment was convened by the Special Economic Zone Office under the State Council from 25 to 27 June in Beijing. The meeting summed up and exchanged the situations and experiences in the use of foreign investment and studied how to further improve work in the use of overseas investment in accordance with the guidelines of the 10-Year Program and the Eighth Five-Year Plan.

MOFERT Official Views Foreign Capital Use

HK0507141091 Beijing RENMIN RIBAO in Chinese 30 Jun 91 p 2

[Article by staff reporter Liu Xiao (0491 7197): "Attention Should Be Paid to 'Expansion' in Using Foreign Capital: Interview With Yu Xiaosong, Director of Ministry of Foreign Economic Relations and Trade's Foreign Investment Administration"]

[Text] The use of foreign capital is a symbol of China's policy of opening up to the outside world. Looking into the future, what will be the new measures and ideas for the work of using foreign capital? With this question, this reporter interviewed Yu Xiaosong, director of the Ministry of Foreign Economic Relations and Trade's Foreign Investment Administration.

[Liu Xiao] Will the use of foreign capital be "further expanded" in our country?

[Yu Xiaosong] Yes. In the past 10 years or more, China started from scratch to use foreign capital and achieved a rapid development in this respect. By the end of 1990, it had absorbed \$40.3 billion of direct investment from foreign firms and approved foreign firms to invest in more than 29,000 enterprises, of which more than 14,000 have been put into production. The direct investment of foreign businessmen from nearly 50 countries and regions covered more than 20 trades and more than 70 departments. At present, most of the three kinds of partially or wholly foreign-owned enterprises, which have been put into production, are in a period of harvest. In 1990, their gross industrial output value reached more than 70 billion yuan, making up 3.6 percent of the national gross industrial output value. Their export volume was \$7.81 billion, or 12.6 percent of the national

total. The per capita output value, tax and profit, and labor productivity were all higher than other enterprises in our country.

But we must also understand that the foreign capital China absorbed each year only made up about 1 percent of the world capital market, which had funds totalling \$450-500 billion, and the direct investment by foreign firms in China only made up 4.3 percent of the total foreign investment in developing countries. Calculated on the per capita basis, the foreign investment actually absorbed was only \$17, which ranked China last of the developing countries. Therefore, there is great potential in this respect. We must increase the level and "expand" the scale of using foreign capital.

[Liu] Can you explain the meaning of "expansion" here?

[Xu] The so-called "expansion" means the expansion to more industries, more projects, and more areas and the expansion of management.

First, the expansion to more industries. At present, most foreign investments are made in the processing industries of the secondary industry. This shows that our industrial structure has not yet been well readjusted. According to the outline of the 10-Year Program and the Eighth Five-Year Plan, it is necessary to further optimize foreign investment so that it may facilitate the development of agricultural technology of the primary industry and the development of basic industries of the secondary industry and extend to the tertiary industry. In this connection, I would like to mention the question of the tertiary industry, including finance, circulation, transportation, and information. China's tertiary industry is extremely undeveloped. This not only seriously obstructs the national economic development but is also harmful to the perfection of the investment environment. In the future, we must strengthen the study of the necessity and feasibility of foreign investment in the tertiary industry.

Second, the expansion to more projects. Judging from the current situation, the scales of the investment projects are still very small. More than half of the projects are using foreign investments over \$1 million. The average investment in the three kinds of partially or wholly foreign-owned enterprises approved last year was only \$900,000. In the future, we must guide the limited foreign capital and domestic funds to flow into large projects that the state urgently needs. With greater investments, large projects have a longer period to reap profits. The state will work out the necessary preferential measures to ensure that foreign investors can benefit from them.

Third, the expansion to more areas. Judging from the current distribution, more than 80 percent of foreign investments are made in coastal provinces and cities. This was unavoidable in the beginning stage of opening up to the outside world. However, if the phenomenon of "only opening one end to the outside world" is continued for a long time, it is possible that vicious clashes

may occur between the export-oriented economy of the coastal areas and the closed-type economy of the interiors. Some years ago, certain scholars proposed that our country should gradually adopt a strategic pattern of "simultaneously opening coastal areas, river areas (areas along the Changjiang), border areas (frontier provinces and regions), and railway areas (areas along railways), laying stress on absorbing foreign investment, taking both eastern and western parts into consideration, and opening the country in a pluralistic way." This proposal merits our attention. In the future, we must gradually weaken the preferential policies for localities and strengthen those for industries and must guide foreign investment to extend to the interiors.

Fourth, the expansion of management. The expansion in the above-mentioned fields depends to a large extent on the expansion of management. In the past, as we did not have much experience and deviations had appeared in our policy decisions as a result of being impatient for success, the structure of some projects using foreign capital was irrational and their economic returns were low. A small number of foreign businessmen made false investments and left our country after successfully selling some high-priced equipment. In the future, we must further strengthen approval and management of the projects using foreign capital. At the same time, as many new problems will arise after large numbers of such enterprises are put into production, it is also necessary to strengthen guidance for them.

[Liu] How will the current shortage of international funds affect China's work of using foreign capital?

[Xu] As the Middle East needs to be reconstructed and the Soviet Union and East European countries are in urgent need of economic aid and the major Western money suppliers are putting more funds into their own countries, there is a shortage of international funds at present and the interest rates have increased. This will certainly affect the world economy. China will also be affected, but not greatly so, because the scale of foreign capital used by our country is still very small compared with the loans extended by the world funds market.

Of course, the situation is rather grim. Apart from the shortage of funds in the international capital market, some neighboring countries, such as Vietnam, India, and Thailand, are also stepping up their efforts to absorb foreign capital. Whether China can seize the opportunity to absorb more foreign capital and achieve greater successes in this respect depends on our determination and efforts.

Foreign Investment Transforms Enterprise Technology

HK0507092091 Beijing RENMIN RIBAO in Chinese
30 Jun 91 p 2

[Report by XINHUA correspondents Li Yafei (2621 0068 7236), Li Xiaogang (2621 2556 1511): "China's Enterprises Conduct Technological Transformation by Using Foreign Investment"]

[Text] Since the reform and opening up to the outside world drive was launched, quite a few localities have achieved fairly good results in transforming old enterprises by using direct foreign investment.

According to statistics, two-thirds of Guangdong Province's more than 9,000 enterprises under the system of ownership by the whole people have introduced "grafting [jia jie 1268 2234]" transformation using foreign capital and one-fourth of Shanghai's more than 700 joint venture, cooperative venture, or wholly foreign-funded industrial projects are partaking of "grafting." Over 90 percent of the 132 Sino-foreign joint ventures, cooperative enterprises, and solely foreign-owned enterprises under the Beijing Municipal Economic Commission's jurisdiction are transformed old enterprises. The brand new outlook of these enterprises shows the superiority of transforming old enterprises by using foreign investments.

The problem of the source of funds for the technological transformation of old enterprises has been solved by using foreign capital. For example, since 1985, Guangdong's Shaoguan City has spent some \$100 million in foreign capital transforming old enterprises or one-fourth of the city's total investment in foreign exchange in technological transformation.

Grafting transformation requires less investment but promises quicker results and, moreover, its investment period is short. According to the analysis of a survey of some cities, the total investment by the Chinese side in the enterprises undergoing "grafting" technological transformation was 25 percent less than the investment required for building new joint-venture enterprises and 42 percent less than the investment required for conducting technological transformation using imported equipment.

While conducting "grafting" transformation, many enterprises have also imported advanced foreign managerial expertise and linked the whole production process closely and systematically, thus greatly boosting labor productivity.

There has been a universal increase in the economic efficiency of enterprises undergoing "grafting" transformation. A number of loss-making enterprises have turned losses into profits. According to the reports of some industrial cities, the average profit and tax rate and the foreign exchange-earning rate of investment of this kind of enterprise are 120 and 160 percent higher than those of imported projects.

Bank of China Supports Foreign-Funded Ventures

HK0807011091 Beijing CHINA DAILY in English
8 Jul 91 p 2

[By staff reporter Ren Kan]

[Text] The Bank of China (BOC) will continue to support foreign funded ventures involved in the fields of energy, transportation and the raw materials industry in the second half of the year.

An official with the bank said BOC will actively finance the automotive joint venture between China's First Automotive Works and Volkswagen in Jilin Province.

The joint venture, the largest of its kind in China, requires a 4.2 billion yuan (\$785 million) investment to form an annual production capacity of 150,000 cars.

Meanwhile, the official said the bank is considering extending loans to help set up a joint venture that would produce paper products in Shandong Province and a joint venture that would produce chemical products in Guangdong Province.

Negotiations for the two joint ventures are underway between the Chinese partners and Canadian and U.S. investors.

"Our loans are aimed at giving the two joint ventures a strong start," the official said.

The bank, which is the country's only financial establishment specializing in foreign exchange, will also give priority to large and medium-sized export orientated enterprises that can earn foreign exchange.

"The foreign funded ventures which can earn large amounts of foreign currency will be the customers our bank fully supports in terms of providing loans," the official said.

Of the country's foreign funded ventures, about 80 percent of the top 800 in terms of foreign currency earnings have received BOC loans.

Besides supporting profitable ventures, the official said that the bank will also help ventures in trouble.

He said the bank will consider restructuring or rescheduling the debts of some troubled foreign funded ventures.

BOC will also help these enterprises find low-priced raw materials and a market for the goods, the official added.

Although the government has increased the money supply since the beginning of the year, the official said, many foreign funded ventures still face a cash crunch. As a result, the bank has decided to increase outstanding working capital loans by 2.5 billion yuan (\$467.3 million).

Increasing the outstanding loans means the bank this year will be extending more short-term working capital loans to foreign funded ventures than last year.

During the first five months of this year, the bank loaned foreign funded ventures 7.1 billion yuan (\$1.3 billion) and \$492 million in hard currency, an increase of 60 percent and 64 percent, respectively, from the same period last year.

Inner Mongolia Regulations Benefit Investors

OW0907090391 Beijing XINHUA in English
0729 GMT 9 Jul 91

[Text] Hohhot, July 9 (XINHUA)—North China's Inner Mongolia Autonomous Region passed a set of new regulations to offer overseas investors favorable treatment in regards to tax, land use, credit and exports.

The regulations, the first to be passed by the regional people's congress, stipulate that very favorable treatment will be given to overseas-invested enterprises engaged in export, energy, communications, infrastructure, natural resources, raw materials, agriculture, animal husbandry and fishery development; and to enterprises employing advanced technology.

According to the new regulations, enterprises with overseas investment will enjoy priority access to water, power and raw materials supplies and telecommunications and transport facilities.

Land use fees will be waived for those enterprises that invest in education, science and research, health and other social welfare sectors.

The national government has worked out plans to emphasize the expansion of the region's energy and raw materials industries in this decade, making the region the country's second largest energy supplying base.

The new regulations have also include articles encouraging overseas-funded enterprises to engage in border trade to obtain production materials, technology and equipment with its own product export. Inner Mongolia shares 4,200 km of border with the Soviet Union and the People's Republic of Mongolia.

The autonomous region has designated four cities to engage in direct border trade with the Soviet Union and Mongolia, and another four border passes for goods delivery. Two economic reform experiment zones have also been set up to speed up economic development.

Foreign Exchange Regulations for Bonded Areas

HK0507060791 Beijing CHINA DAILY in English
5 Jul 91 p 2

[By staff reporter Wang Xiangwei]

[Text] The government has released a set of regulations on foreign exchange control in bonded manufacturing areas, the new and thriving alternatives to special economic zones.

The 17-article regulations cover foreign exchange settlements for foreign-funded enterprises, foreign trade enterprises, administrative organizations and individuals in the bonded areas.

Bonded manufacturing areas function much like free trade and processing zones in developed countries, where

imported goods can be deposited and processed before being reexported without having duty paid on them.

The regulations aim to centralized the foreign exchange control and management over the bonded areas so as to avoid confusion and maintain the special preferential policies accorded to the areas, said officials from the State Administration of Foreign Exchange Control.

The central government has approved bonded areas for Guangzhou, Shenzhen, Shanghai, Tianjin and Dalian.

Officials said the government would approve more bonded areas in the near future but declined to be more specific.

"The development of bonded areas should become a symbol for China's open-door policy in the 1990's as the special economic zones did in the 1980's," said Zhang Zhaoruo, Tianjin's vice-mayor, a prime mover behind the city's efforts to open a bonded area in its harbour.

The officials said the current bonded areas would concentrate on processing imported goods and having them re-exported.

However, it would still take some time to develop those bonded areas into free trade zones where businessmen could handle international trade, transit transportation and international insurance.

According to the regulations, goods going in and out of the bonded areas should be settled in foreign currencies under the supervision of Chinese Customs.

However, non-bonded goods such as the daily necessities for personal use, and food would be paid for in Renminbi yuan.

The transactions of bonded goods as well as fees for depositing, maintaining and transporting must be settled in foreign currencies.

According to the regulations, enterprises in the bonded areas should promptly transmit foreign exchange earnings and exports and labour services back into the foreign exchange accounts in the domestic banks.

The Chinese-funded enterprises in the bonded areas are allowed to retain their foreign exchange earnings in cash.

The Renminbi yuan, Foreign Exchange Certificates, precious metals and their finished products will be allowed from the non-bonded areas to the bonded areas and vice versa.

Insurance Coverage Expanded for Foreign Firms

OW0707043391 Beijing XINHUA in English
0137 GMT 7 Jul 91

[Text] Beijing, July 7 (XINHUA)—Since China started to carry out the policy of opening to the outside world in 1978, its insurance coverage for foreign businessmen has made considerable progress, offering 100 types of reliable services

for its clients presently, according to the latest issue of the English magazine "BEIJING REVIEW."

The People's Insurance Company of China (PICC), with a history of 41 years, has an extensive business network and an abundance of funds, underwriting 95 percent of the insurance coverage for foreign businessmen in the country.

In recent years the PICC's business has continued to increase, with its insurance premium income totalling 340 million U.S. dollars in 1988, 410 million U.S. dollars in 1989, and 420 million U.S. dollars in 1990.

Besides traditional insurance coverage such as transport insurance for import and export goods, ocean-going vessels and airplanes on international routes, China has also begun to provide new insurance coverage such as political risk coverage, accident insurance for tourists and the oil exploitation.

Along with the development of China's trade relations with other countries, the PICC has set up an extensive array of trusted agents who provide compensation, offer overseas services for insured materials and provide average examinations.

By the end of 1990, the PICC had over 300 agencies in 120 countries and regions and, at the same time, was entrusted by 111 foreign insurance companies with offering compensation and examination services for their foreign counterparts in China.

Participation in the international reinsurance business is an important facet of PICC operations. By early April of this year, China had forged reinsurance relations with 1,012 insurance companies in more than 100 countries and regions.

State Council Approves Economic Restructuring

HK2106121591 Beijing XINHUA Domestic Service
in Chinese 0023 GMT 20 June 91

[Text] Beijing, 20 June (XINHUA)—The State Council recently approved and transmitted to all localities and departments the "1991 Major Economic Restructuring Points" submitted by the State Commission for Economic Restructuring, calling on the localities and departments to conscientiously implement the document in light of their specific local conditions.

The State Council pointed out in a specially issued circular: 1991 is the first year of the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development. The present political, economic, and social stability in China has created conditions for a further deepening of reform. All localities and departments should inspire their own vigor; regard as their guidance the "Suggestions" adopted at the Seventh Plenary Session of the 13th CPC Central Committee, as well as the spirit of the Fourth Session of the Seventh National People's Congress; strengthen leadership over reform; and handle the relations among reform, development, and stability in an appropriate manner so as to

bring long-term, sustained, stable, and well-coordinated development to our national economy through reform.

The following are the main contents of the "1991 Major Economic Restructuring Points" formulated by the State Commission for Economic Restructuring:

I. Current Economic Situation and Major Tasks for This Year's Economic Restructuring

1. Over the past two years, with the efforts of the entire party and people, economic improvement and rectification have achieved the results required for this phase, and reform is being deepened on a constant basis. Excessive social demand has been reduced, inflation has been curbed effectively, and the general price level has remained stable; record harvests have been reaped on the agricultural front; industrial production is gradually picking up; and the national economy is developing favorably. However, some major problems still exist in our current economic work: Readjustment of the industrial structure, product mix, and enterprise organizational structure is making slow progress; market sales are rebounding slowly; industrial enterprises owned by the whole people, especially large and medium-sized enterprises, have been plagued by many problems and their economic efficiency is on the decline; and the state's financial departments are facing relatively more difficulties. Many things account for difficulties encountered by economic sectors, financial departments, and enterprises, including not only problems that crop up in the enterprises' own operational management mechanism, but also factors in their external environment, such as irrational basic economic relations and the macroeconomic management system's lacking in adaptability to new situations arising during our efforts to deepen reform and further opening up. Only through deepening reform can all these difficulties and problems be resolved gradually.

2. The year 1991 is the first of the Eighth Five-Year Plan. The central tasks of our economic work are: To readjust the economic structure and enhance economic efficiency; to closely integrate reform with development; and to achieve greater economic results through rationalizing the flow of production elements, conducting structural readjustment, carrying out technological transformation, stepping up technological progress, and intensifying enterprise management. While making continued efforts to improve the economic environment and rectify the economic order, it is necessary to: Deepen reform; constantly open up domestic and overseas markets; promptly enhance the overall quality and competitive capacity of enterprises, especially large and medium-sized enterprises owned by the whole people; and to enable economic improvement and rectification and the deepening of reform and stability to take a new step.

3. In accordance with the central tasks of our economic work, this year's economic restructuring should be carried out in a vigorous and steady way, centering on settling conspicuous problems in our current economic life under the prerequisite of maintaining both the stability and continuity of various existing major reform

policies and measures. The focus of economic restructuring should be placed on: Constantly invigorating enterprises, especially large and medium-sized enterprises owned by the whole people; improving their management; perfecting their operational mechanism; and creating the necessary external conditions for them. Through deepening reform, efforts should be made to: Step up readjustment of enterprises' product mix and organizational structure, enable enterprises to adopt a market- and customer-oriented approach, bring about well-coordinated economic development, and enhance economic efficiency.

II. Reform Should Focus on Invigorating Enterprises, Especially Large and Medium-Sized Enterprises Owned by the Whole People

4. When deepening enterprise reform, especially reform in large and medium-sized enterprises owned by the whole people, great efforts should be devoted to improving the operational mechanism. It is necessary to enhance not only the vitality of enterprises, but also their capacity for self-control, and to grant them the independent right to handle their own production in accordance with the requirements set out in the "Enterprises Law." Continued efforts should be made to separate political and enterprise functions and responsibilities; permit appropriate part-ownership with decision-making power in operation and management, and reduce government departments' administrative interference in the production and operation of enterprises so enterprises will be able to gear themselves to the market; to intensify enterprises' operational and market concepts; to vigorously open up domestic and international markets; and under the guidance of the state's planning and industrial policies to establish and perfect a complete management mechanism set concerning the development of new technologies and products, enhancement of product quality, and before- and after-sales services; and to make all these the conscious operational behavior of enterprises.

5. Regarding enterprises which are plagued by chronic losses, unmarketable products, and inferior technological and management standards, efforts must be taken to contract these enterprises, or annex them with other enterprises, and carry out readjustment on the organizational structure in accordance with the principle of voluntary participation and mutual benefit. The method of linking wages with performance should continue to be perfected and indexes, such as input-output ratio and labor production rate, should be taken into consideration when working out and readjusting base figures and floating rates in the wage-performance linkage. Steps should be taken to further implement the various effective economic responsibility systems and to carry out experiments on internal distribution system, with the system of linking wages with job skills as its main form. In addition, it is necessary to persistently adopt preferential measures of wage distribution toward workers in key jobs; in difficult, dirty, tiring, and dangerous jobs with poor working conditions; and those in the forefront of production, to truly link labor rewards with labor

contributions. Government departments at all levels should reduce their direct administrative interference in enterprises and stop the various apportioning of expenses, arbitrary imposition of fees and penalties, and random inspections. It is necessary to apply laws, rules, and regulatory means to create sound external conditions for enterprises and to help create a stable development for large and medium enterprises owned by the whole people.

6. The factory director (manager) responsibility system should be upheld and perfected and the various powers entrusted by law to factory directors (managers) guaranteed. Before they make major policy decisions, factory directors (managers) should solicit opinions from the party organization and workers' congress on their own initiative. They should also rely on the masses of workers and staff members wholeheartedly and set up and perfect the system of democratic management. Enterprises are required to establish management committees in accordance with the "Enterprises Law" and assist factory directors (managers) in making correct policy decisions in such fields as operational strategy, long-term planning, technological innovation, and the distribution system. Vigorous efforts should be made to try and establish a mechanism inside enterprises, which is characterized by the division of responsibilities between representative of the owner, manager, and the collective of laborers with mutual inspiration and restriction.

7. Technological transformation in large and medium enterprises owned by the whole people should be carried out in a planned way. The focus of technological transformation should be placed on reduction of energy consumption; improvement of product quality; increased new varieties; enhancement of labor production rate; expansion of exports to earn more foreign exchange; and the substitution capacity of imports. In addition, it is necessary to apply the limited funds for technological transformation to the right areas and avoid using financial strength in a decentralized way. Various channels should be adopted to increase input into enterprises' technological transformation: 1) On the basis of fulfilling their contracted tasks, large and medium enterprises owned by the whole people, which are able to produce marketable quality goods and earn more foreign exchange at lower costs, are allowed to retain more surplus profit as technological transformation funds in order to strengthen their potential forces; 2) In accordance with the state's industrial policies and upon the approval of the State Council, relevant departments can raise the depreciation rate by stages and in groups; 3) Enterprises are allowed to retain a certain proportion of new product development funds in accordance with the sales income of different trades; 4) Timely regulations should be formulated on the interest rate of fixed assets loans and differential interest rates imposed according to the state's industrial policies; 5) Enterprises which shoulder arduous technological transformation tasks, produce marketable goods, suffer from a shortage of funds, and possess the debt paying ability, can issue a certain amount of bonds upon approval; 6) Technological transformation should be integrated with the introduction of foreign investment and, upon the approval of

relevant departments, foreign investors can be allowed to buy shares and foreign investment can also be used directly in technological transformation; and 7) To step up technological progress, the proportions of a number of awards in the total award amount can be raised, including those for technological innovations, inventions, proposals for rationalization, and economies in raw and semi-finished materials, to gradually form and strengthen an internal incentive mechanism within the enterprises.

8. Vigorous efforts should be made to promote the rational flow of production elements and step up structural readjustment. In conformity with the state's industrial policies, a rational flow of production elements is conducive to bringing into play the superiority of localities, reducing the losses of enterprises, and giving shape to a scale economy. Economic restructuring departments in all localities should formulate plans and methods to encourage a rational flow of production elements in light of requirements dictated by structural readjustment, and their specific local conditions, and organize the relevant departments in implementing these plans and methods. Production elements are allowed to flow in various forms.

9. It is necessary to further step up lateral economic ties and vigorously develop enterprise groups with large-scale backbone enterprises as the core. Continued efforts should be made to: Carry out the State Council's regulations on promoting lateral economic ties; break down barriers between different departments or regions on the basis of voluntary participation and mutual benefit; and step up the optimum combination of funds, equipment, and talent through promoting lateral economic ties and economic and technological cooperation of various kinds. Basing on lateral economic ties and in light of economic development needs, efforts should be made to establish a number of new enterprise groups, mainly transdepartmental and transtrade ones with strong competitive capacity. In developing enterprise groups, it is necessary to take the state's industrial policies as the guidance, persist in separating government and enterprise responsibilities, and uphold the principle that enterprises voluntarily combine themselves under government guidance. This should be carried out in a planned way and rushing headlong into mass action should be avoided. In line with the State Council's requirement to give special attention to the experiments in a number of large-scale enterprise groups, it is also necessary to work out an implementation plan at the earliest possible date and carry out the plan by stages and in groups. Enterprise groups should be entrusted with greater decisionmaking power. Upon approval, those enterprise group possessing the necessary conditions can: 1) Establish financial companies to obtain greater autonomy in accommodating funds among enterprise groups, including the accumulation of some depreciation funds for compensated regulatory use; 2) Apply for permission to run export trade, while relevant department should appropriately simplify the examination and approval procedures for overseas trips taken by personnel from these enterprise groups; 3) Implement their

separate plans according to their specific levels and conditions; 4) Let their core enterprises do "single" contract projects from higher authorities, work out a unified development plan for the whole group, and organize the development of new products and technologies in a coordinated way.

10. Vigorous efforts should be made to develop the urban and rural collective economies, further stabilize policies on individual and private economies, and to perfect management methods. It is necessary to strengthen leadership over the urban and rural collective economies, establish an operational pattern and management system in enterprises which conforms to the nature of the collective economy, and to enable enterprises to be independent and responsible for their own profit and loss. The individual and private economies should be developed appropriately to bring their complementary role to public ownership into play. A number of enterprises, which are collective in name but individual or private in reality, should be screened and rectified. In order to enable individual and private economies to develop in a healthy way, further steps must be taken to strengthen the industrial and commercial administrative supervision and taxation management over these economies.

11. The experience gained from experiments of "separating tax from profit, making post-tax loan payment, and contracting after tax" should be conscientiously summarized. To counter existing problems, efforts should be made to further perfect experimental methods and gradually expand the experimental scope, in line with the principle of not only enhancing the vitality and potential forces of enterprises but also guaranteeing a steady growth in their financial income and ability to pay their debts.

12. Continued efforts should be made to steadily carry out experiments on share systems which mainly rely on public ownership and to deal with different share systems in different ways: 1) The system whereby shares are held by legal persons should be vigorously advocated and new enterprises invested in by many sides should be established as limited-liability companies from the very beginning, while existing jointly-run enterprises and united enterprises should also be standardized in accordance with the "Limited Liability Companies Law," which is due to be promulgated soon; 2) As regards the system whereby shares are held by enterprises' own workers and staff members, it is necessary to mainly perfect existing experiments to gradually standardize the system; and 3) regarding the system whereby shares are issued and listed to the public, efforts should be concentrated first on the comprehensive reform experiments in Shanghai and Shenzhen.

III. Vigorously and Steadily Promote Overall Reform of Circulation and Other Fields

13. To invigorate large and medium state-owned enterprises, it is necessary to: Create the necessary macromanagement conditions; maintain a balance between social

general supply and demand, revenue and expenditure, and between credit receipts and payments; apply the policies of investment, finance, taxation, and credit to guide the readjustment of enterprise industrial structure, product mix, and organizational structure; give full play to the initiative of the central authorities, localities, and enterprises; and to make strenuous efforts to develop the economy, increase efficiency, and make the "cake" bigger. The mandatory planning management method for industrial production should be improved and the state placing orders and enterprises signing economic contracts should be tried out in some trades to replace part of the mandatory planning in industrial production. The current method of examining and approving projects in light of the production capacity and investment limit should be changed. Distribution of trades and products and the authority to examine and approve projects should be determined in light of industrial policies. It is necessary to readjust the limits of the authority to examine and approve current technical transformation projects and duly extend the decision-making powers of large and medium enterprises in carrying out technical transformation. The procedures and methods for examining and approving technical transformation projects should be simplified and enterprises should be encouraged to muster funds through various channels, including using foreign investment, to carry out technical transformation.

14. While exercising control over the total amount of loans, it is necessary to invigorate banking and promote production. The capital market, which includes the private loans, stock, and foreign exchange regulation markets, should be vigorously developed and strengthened. Under the guidance of the People's Bank of China and on the premise of not exceeding the credit limit, it is necessary to strengthen the lateral accommodation of credit funds between the special banks at the provincial and city level and duly increase loan quotas granted by the local branches of the People's Bank of China so that the local special banks can use their surpluses to make up their deficiencies. The administrative distribution of all state bonds should be transformed. The method whereby bank agents promote the sales of some bonds can be tried out. Financial organizations may also undertake the sales of bonds. It is necessary to study the plan to make bonds possessed by enterprises circulative. In a small number of large cities where conditions permit, stock exchange experiments should be tried and management regulations for the stock market, which conform to China's national conditions, should be formulated. The banks should adopt flexible settlement methods to help speed up capital turnover. It is necessary to help enterprises break "debt chains," reduce overspending of working capital, and to resolve the difficulties in capital shortages. While breaking "debt chains," the pace of commercial credit billing should be accelerated.

15. Perfect the financial contract system and reduce the pressure on financial subsidies. A number of areas must be selected to undergo experiments in the separated

taxation contract system. It is necessary to levy a regulatory tax on the use of investment, enhance taxation management, establish the system of issuing invoices with notes on taxes attached, duly centralize the right to exempt taxes, exercise strict control over tax exemption, and strive to increase revenue. The administrative structure should be streamlined, administrative outlay should be reduced, nonproductive expenses should be strictly controlled, and expenses at various levels should be curtailed. Financial subsidies should be cut gradually through reform. The practices whereby some departments or units upgrade the organs or expand staff numbers without authorization must be checked. The work of examination and approval of county level cities should be suspended.

16. To invigorate large and medium state enterprises, a spacious market environment must be created. It is necessary to seriously study the question of duly reducing allocated distribution of materials under mandatory planning and to extend the powers of enterprises in promoting sales of their products, particularly products turned out by the newly increased production capacity. The new purchase and sale methods, including the state placing orders, linking production and demand, fixing the places and amounts but not the prices, and guaranteeing long-term contracts, should be pursued. It is necessary to establish standard material exchanges, reform the material and commodity fairs, make a breakthrough for some selected products, and stabilize the methods of purchase and sale through fixed cities and places and through formulating regulations so that they become centers for exchanging commodities and information. The role of state commerce serving as the main channel should be given full play. In light of the principle of voluntariness and mutual benefit, it is necessary to remove the barriers erected between departments and regions, develop commercial and material enterprise groups, vigorously carry out distribution, circulation, and processing of commodities and materials, offer information and investment services, and better serve the processing enterprises and raw materials production enterprises. The wholesale enterprises delegated to the lower levels should not be retrieved. It is necessary to constantly perfect and develop the market for all kinds of consumer goods and means of production.

The spirit of the "State Council Decision on Several Questions Concerning Further Reform and Improvement of the Foreign Trade System" should be comprehensively implemented. The stress should be put on reforming the foreign trade enterprise operation mechanism and gradually establishing a management structure and operation mechanism which has unified policies, introduces competition on an equal basis, carries out independent operation, assumes sole responsibility for profit and loss, integrates industry with trade, pursues the agent system, and takes a unified approach to foreign trade.

17. Vigorously promote reform of the farm produce circulation system. In light of the principle of "stabilizing purchases, curtailing sales, readjusting prices, and implementing the contract system," it is necessary to steadily reform the grain purchase and sale system. On the question of curtailing the sales of grain at original prices, the people's government in all provinces, autonomous regions, and municipalities, can make their own decisions in light of their specific situations, which should be implemented in a planned manner after they are approved by the State Council. Tianjin's experience should be spread to comprehensively deepen reform of the grain enterprise operation mechanism, separate the policy-related losses of grain enterprises from their normal operation, separate profits from losses, ease the problems of grain purchased and sold at original prices, and reduce financial subsidies. The reform experiment on integration of production and sale of non-staple food should continue in large cities. The principle of coexistence of various economic sectors, various operation means, and various operation channels, should continue. It is necessary to extend the decisionmaking powers of circulation enterprises at the basic levels and promote circulation of farm produce. While enhancing the wholesale market for perishable goods, it is necessary to vigorously develop the wholesale market for other farm produce and unclog the circulation channel for agriculture products. After fulfilling state purchase quotas, the major farm produce, including grain and edible oils, can be freely sold through various circulation channels. Under the guidance of the state's overall policies, the prices of farm produce which are lifted should be regulated by the market. Specific measures should be adopted and management should be strengthened so that the market remains brisk and can operate in an orderly way. It is necessary to gradually establish a reserve regulatory system or risk fund system for grain and other major farm produce to avoid drastic fluctuations in market supply and demand and in the price of farm produce.

18. Vigorously and steadily promote price reform. The principle of "stabilizing prices and revitalizing the economy" should continue to be upheld and price reform should be deepened while keeping the increase in overall prices under control. It is necessary to readjust the price structure in a planned manner and put the stress on easing the question of excessive low list prices of energy and other basic products. In connection with the revision of the price management list, it is necessary to further lift the restrictions on prices of commodities which involve large numbers of factories, which can be upgraded within a short period of time, and which maintain a balance in market supply and demand. Regarding the commodities, with the exception of a few varieties whose price restrictions were lifted in the past but were imposed again during the past two years, whose differential rates are under control, whose price increases must be declared, and whose price readjustment must be put on record, the abovementioned management method will be null and void, the restrictions will be lifted, and the role of market regulation will be brought into full play. It is necessary to genuinely delegate the power of fixing prices to enterprises. The "double track system" for the prices of means

of production should be reorganized. If the double track cannot be merged at present, the distance between should be narrowed through price readjustment and strengthened management. In places where conditions permit, they should be merged.

19. Deepen labor system reform in combination with adjustment of the production structure and enterprise organization; continue to adhere to the "three combinations" employment policy and make use of a variety of channels to widen employment opportunities to ease employment pressure; continue to extend the socialized urban service reform; and actively explore ways for socialized services in the realm of production.

20. Actively promote reform in the social insurance system, in particular the old age insurance and job-waiting insurance systems; conduct pilot provincewide (and citywide) old-age insurance comprehensive reforms in provinces and cities such as Jiangxi, Guangdong, Shanghai, Dalian, and Qingdao, and actively push ahead with the social and unified administration of retirement funds of workers at city and town collective enterprises. In well-to-do rural areas, it is necessary to properly handle the pilot peasants' old-age insurance scheme—a kind of saving foundation which is funded mainly by individual payments and supplemented by collective subsidies. Pilot old-age insurance programs should also be conducted for workers in "three capitals" enterprises, privately-run enterprises, and individual industrial and commercial households. The scope of pilot job-waiting insurance should be expanded. This chiefly means expanding the insurance to cover all workers in enterprises of whole-people ownership and a gradual establishment of job-awaiting insurance in enterprises under all other kinds of ownership. Initiate, in special economic zones [SEZ] such as Hainan and Shenzhen, a pilot comprehensive reform of the social insurance system and economy-restructuring departments at all levels are charged with integrating and coordinating the social insurance system reform.

21. Expedite reform of the city and town residential housing system to rationally guide consumption, set in motion adjustment to the production and consumption structures, fundamentally widen market capacity, and continually improve housing conditions for city and town residents. It is necessary to promote this reform on the principle of joint burden-sharing between the state, collectives and individuals, and in an active and stable manner, fashioning measures according to local conditions and employing a variety of methods. Provinces, autonomous regions, and municipalities must all select three or four cities (counties) and, in a variety of ways, expedite a comprehensive package of reform in the housing system and the progress of commercializing residential houses. Localities may, according to local practical conditions, properly raise rents, continue to extend new houses and the new system, and encourage workers to purchase public housing. It is necessary to: Set up housing funds at the different levels of state, cities, towns, units, and individuals step by step; develop various financing methods such as housing savings,

house mortgage credits, and housing insurance; raise housing funds through various methods and channels; and encourage cooperation in building houses. The selling of public housing must be strictly subjected to relevant state policies. We must sum up and improve on the experiences of cities such as Yantai, Tangshan, and Bangbu in pilot housing reform and properly handle the pilot housing system reform in Shanghai.

22. Deepen reform in rural areas; uphold, stabilize and perfect the contract responsibility system on a household basis with remuneration linked to output; develop socialized service networks; perfect the management system featuring a combination of unified and separate management; strengthen the roles of township and village officials and strengthen the collective centralized management level; and actively develop and consolidate production-oriented socialized service systems and also those before and after production. The style and content of the socialized service system must be tailored to local conditions and feature a variety of types and styles. Efforts should also be made to gradually merge into a single body the services of state economic and technological departments, those of township and village cooperative organizations, and peasants' self-services. It is necessary to continue to stabilize various policies pertaining to township and town enterprises and perfect the township and town enterprises contract system. At the same time, it is necessary to probe for different methods to rationally distinguish ownership rights from operation rights in enterprises to ensure their collective ownership nature and their operational responsiveness.

IV. Invigorate Spirit and Strengthen Leadership Over, and Comprehensive Coordination in, the Reform

23. The missions for this year's economic structural reform are very heavy. To ensure smooth implementation of various important reform measures, and to prevent policies originating from numerous departments and disjointedness, regions and departments must solidly strengthen leadership over reform, invigorate the reformist spirit, take the difficult areas in economic development as the focus of reform, look into the reform for ways to overcome difficulties, and promote development with the help of reform. Based on the overall direction and principles laid down by the central authorities, localities must form proper measures according to local conditions, give different guidance according to different fields and must not give "all-encompassing" guidance and, in a down-to-earth manner, press ahead with reform. In general, newly staged important reformist measures must all undergo experiment and yield experience before being extended step by step.

24. The coastal open areas infrastructure has taken shape and the current focus is on building a good investment environment, reducing administrative links in the approval and examination process, and raising work efficiency to promote the steady development of an export-oriented economy in the coastal areas. The five SEZ of Shenzhen, Zhuhai, Shantou, Xiamen, and

Hainan, and the two comprehensive reform and opening up experimental zones in Guangdong and Fujian Provinces, must concentrate on pursuing deep comprehensive reform experiments and may be a step further in the establishment of an economic management system dominated by indirect regulation and control and in respect of the operation mechanisms of a commodity economy. It is necessary to do a good and active job of the initial development and opening up of the new Pudong District in Shanghai and boldly take the lead to be the first to build a new system. SEZ and coastal economic and technological development zones blessed with the necessary conditions, should continue properly handling the pilot programs in bonded industrial zones and bonded warehouses. Departments concerned must strongly support these areas in pursuing the pilot programs of deep comprehensive reform, promptly sum up experiences, and strengthen coordination.

25. Border minority nationalities must carry on with the various policies granted them by the central authorities and, guided by central principles and policies and based on the "Autonomous Law for the Nationality Areas" and the practical, local conditions, vigorously and steadily deepen reform; push for social and economic structural adjustment through reform and opening up; foster elements that can supply "new blood cells"; and promote the economic development in border minority nationality regions.

26. Conscientiously implement the spirit of the "State Council Office Circular Concerning Strengthening Coordination in Structural Reform in the Economy" and strengthen the comprehensive coordination for important economic structural reformist measures. Economy-restructuring departments at all levels are responsible for formulating comprehensive plans and programs for economic structural reform; centralizing, coordinating, and guiding economic structural reform in urban and rural areas; promoting enterprise reform; and for organizing and popularizing pilot programs for important reform measures. Except those directly under the charge of State Council leading comrades, nationwide reform plans and programs concerned with, and formulated by, the respective ministries, departments, or professions under the State Council, should be submitted to the State Commission for Restructuring Economy for its opinion before being examined and approved by the State Council. Important pilot reform projects with a national bearing should be jointly proposed and formulated by the State Commission for Restructuring Economy, concerned State Council departments or provinces, autonomous regions, municipalities, and cities separately listed in the plan, and submitted to the State Council for approval for implementation.

27. Strengthen the building of economy-restructuring organs at all levels. Economy-restructuring departments at all levels must adapt to the requirements of the reform situation and missions; take the initiative in seeking leadership from party committees and governments; further strengthen the building of their own ideology,

organizations, and styles; an train and foster an economy-restructuring force devoted to reform and reinvigorating China, which is good in political ideology, strong in professional capacity, and has a down-to-earth style. This latter force can serve as a good counselor and assistant for party committees and governments.

28. Strengthen lawmaking work and building reform systems. Economy-restructuring departments at all levels, while propagandizing and implementing existing laws, rules, and regulations on reform, must also actively participate in the formulation of important state and local laws, rules, and regulations; solidify reformist methods into legal forms which have proved effective in practice step by step, to promote economic construction and the stable development of the undertakings of reform and opening up.

Ma Hong Discusses Economic Structural Reform

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16 May 91 pp 29-33

[Article by Ma Hong (7456 3163): "Present State, Prospects for China's Economic Reform"]

[Text] Since the late 1970s, China has been restructuring its traditional, highly centralized economic system and working on a new economic system that combines the planned economy with market regulation. Although China started its reform considerably later than most other socialist countries, it has aroused the interest and concern of many with the unique approach and achievements of its economic restructuring. Since the commencement of the rural reform in 1979, China has been carrying out reform for 12 years. How should we evaluate the reform over the past decade and more? How far has our reform gone? What are the problems of economic operation? In what direction should economic reform develop in the next five or 10 years? What are the key tasks and steps of reform? These are questions of concern to all of us. Here, I wish to discuss some of my views on these issues.

1. China Has Made Important Headway in Its Economic Restructuring

China's economic restructuring is the self-improvement and development of the socialist system. Its basic objective is to reform the traditional, highly centralized economic system; develop the socialist planned commodity economy; establish an economic operating mechanism that combines the planned economy with market regulation; invigorate the microeconomy while maintaining macroeconomic harmony; and combine the strong points of planning and the market while steering clear of their drawbacks. China's reform has been developing in this direction all these years. In our future reforms, we will continue our efforts in this direction with a view to establishing a new system of socialist planned commodity economy. A question of concern to most people now is to what extent the Chinese economy has shaken off the traditional and centralized mode and to what

extent the new economic operating mechanism has been adopted after more than 10 years of reform. On this question, views differ among Chinese economists. Some think that the old economic system, with mandatory plans and administrative intervention as the mainstay, is still playing the leading role in our economic life. Others hold that the role of the market mechanism is gradually strengthening, that major changes have taken place in the methods of macroeconomic management by the state, and that the old system no longer plays the leading role and we have entered the threshold of the new system. Basically I subscribe to the latter view. In the reform of our economic system, although we have not been able to make a complete transition within a short time, as some people envisaged, local and gradual reforms have never stopped and elements of the new system have been growing to perfection steadily through exploration. The following concrete examples may serve to illustrate my point:

1. Tremendous successes have been achieved in rural reform. On the basis of preserving the public ownership of land, the system of contracted responsibility on the household basis with remuneration linked to output has been put into practice widely. While ensuring the fulfillment of state purchase plans for farm products, the peasant households are entirely free to decide what to produce, how to produce, and how to distribute these products. Thus, ownership and operational rights are effectively separated. The fact that the peasants have secured the benefit of personal independence and relatively full decisionmaking power in production and operational matters has greatly aroused their enthusiasm. Over the past 10 years, the total value of agricultural production has been growing at a rate of 5.9 percent a year. Thanks to our successful rural reform, our country has secured a reliable material foundation for the improvement of people's livelihood these past 10 years and more. Some people see the rural reform as developing in the direction of privatization. This line of thought does not tally with reality. In our rural areas, land is publicly owned, and so are large irrigation facilities and farm implements. Township and town enterprises, as well as pre- and post-production agricultural services, are also collective in nature. Thus, our rural reform represents the self-improvement of the operational modes on the basis of public ownership.

2. The coexistence of diverse economic sectors (that is, diverse forms of ownership) with public ownership as the mainstay has increased the vitality of our economy. In the past, under the traditional system we one-sidedly went after public ownership in the purest sense. By 1978, the output value of industries under whole-people ownership amounted to 78 percent. This, together with the output value of urban industries under collective ownership (which, in fact, were run in almost the same way as whole-people enterprises), constituted practically the entire makeup of the total industrial output value. In those years, these enterprises that "ate from the same big pot" and had "iron rice bowls" had little economic

vitality. Since reform, efforts have been made to develop township and town enterprises in a big way while upholding the predominant position of the publicly owned economy. Preferential policies are being offered to encourage the development of Chinese-foreign joint operations, enterprises run with Chinese and foreign funds, wholly foreign-owned enterprises, as well as individual economies and private enterprises in urban and rural areas, as supplements to the socialist economy. By 1990, the output value of the three kinds of partially or wholly foreign-owned enterprises, as well as individually and privately operated enterprises, constituted 8.6 percent of the total value of industrial production, while that of township and town enterprises accounted for 30 percent. Sometimes we hear people say that Chinese enterprises have not yet freed themselves from government protection and intervention, and that they lack vitality because they are not in a position to manage their own affairs. Such statements are obviously too sweeping and unrealistic. The truth is, township and town enterprises, the three kinds of partially or wholly foreign-owned enterprises and other economic sectors, which together account for 40 percent of industrial output value, have become independent commodity producers and operators. State-run enterprises also are changing in the direction of becoming independent commodity producers and operators. It should be pointed out that while promoting the coexistence of diverse economic sectors, the leading position of the publicly owned economy is still preserved, and the industrial output value of the state and collective sectors still accounts for over 90 percent of the total industrial output value.

3. A new operating mechanism that combines planning with the market gradually is being established. Within the sector under whole-people ownership, the proportion of mandatory plans is steadily on the decline, as guidance plans that bear obvious traits of the combination of planning with market regulation gradually are becoming an important form of planning. Thus, market regulation is playing an increasingly important role. The number of products covered by mandatory plans handed down by the State Planning Commission dropped to 65 from 120 in 1984. The number of products covered by mandatory plans handed down by various specialized departments under the State Council dropped from 1900 in 1984 to 380 in 1988. Products covered by mandatory plans handed down by the provincial authorities also saw substantial cuts. The percentage of the national output value of industrial products covered by mandatory plans also dropped from over 80 percent in 1984 to 16.2 percent in 1988, while the proportion covered by guidance plans rose to 42.9 percent. The remaining 40.9 percent was subject to market regulation under the guidance of state plans. Considering that guidance plans are not totally binding, to a large extent enterprises can regulate their production in light of market supply and demand. This means that the majority of industrial enterprises have achieved market regulation under planned guidance in their decisionmaking power in

matters of production and operation. Meanwhile, macroeconomic means of regulation and control suited to the development of the socialist commodity economy are being established and strengthened. For instance, through its control of credit and the issuance of money, the state has achieved balance between total supply and total demand, and is carrying out structural readjustment through interest rates, tax rates, pricing, exchange rates and other means. It also attaches importance to forecasts, supervision, regulation and control of individual trades and the national economy as a whole.

4. As an important economic parameter, pricing is playing an increasingly important role in economic regulation. Prior to the economic reform, basically all products, whether farm and subsidiary products or manufactured goods, means of livelihood or means of production, all were priced by the state. By 1985, the ratio between pricing by the state and pricing according to the market for all products and services was about fifty-fifty. In the overall output value of all products and services today, those subject to state fixed prices constitute roughly 25 percent, while the remaining 75 percent are priced according to state guidance and market regulation. In the total value of farm products purchased by the state, state fixed prices account for 25 percent, while 23 percent is subject to state guidance and 52 percent is subject to market regulation. In the total retail volume of consumer goods, state fixed prices account for 30 percent, while 25 percent is subject to state guidance and 45 percent is subject to market regulation. In the total value of capital goods sold at ex-factory prices, state fixed prices account for 60 percent, while the remaining 40 percent is subject to state guidance and market regulation. In actual implementation, however, the part subject to state fixed prices can be very elastic. Take coal and metallurgical products, for instance. The planned allocation and market purchase of coal products each account for about 50 percent. However, in the planned allocation portion, only about 36.5 percent actually implemented the cheap prices set in the state plan. As to metallurgical products, the proportion of rolled steel placed under unified distribution was 37.5 percent. Of this, 71 percent was sold at cheap prices set in the state plan, while 29 percent was sold at high prices. Of the rolled steel sold, only about one-third implemented cheap prices set in the state plan, while the remainder was sold at market prices, guidance prices, and high prices set in the state plan. Thus it can be seen that even in the case of capital goods, prices are determined by market supply and demand to a fairly large extent.

5. Major changes have taken place in the operating mode of enterprises, and enterprises are gradually replacing the practice according to which the state assumes responsibility for profit and loss in a unified way with the system of full financial responsibility. Under the traditional system, enterprises did not have their own independent economic interests and lacked the necessary decision-making power in production and operation. This has become a thing of the past. Over the past decade and

more, effective reform has been carried out around the central task of invigorating enterprises. As a result, enterprises have made substantial progress in managing their own affairs and assuming sole responsibility for their own profit and loss. At present, the principal form of enterprise reform is the promotion of the contract system, the core of which is the fixing of financial ties between the state and enterprises in a given mode in order to reinforce the budgetary constraints on enterprises. It primarily involves the verification of a base figure for enterprises (for profits and taxes turned over). Based on business projections for the future, the corresponding percentages of additional profits to be turned over are also fixed. In this way, the profit retention level and the wage level of staff and workers will be tied to the operational performance of the enterprise. Distribution between the state and the enterprise is thus fixed, and the enterprise has its own independent interests. Meanwhile, with the exception of a small number of enterprises that are required to fulfill mandatory state plans, most enterprises can decide what and how to produce in the light of market supply and demand under the guidance of state plans. Although there are still many problems over the separation of government and enterprise functions, the contract system is already a substantial improvement on the traditional system in which government administration and enterprise management are integrated. It has become an effective transitional form in the process of the replacement of the old system by the new.

In addition to the contract system, which is practiced in most enterprises, leasing and the shareholding system also have made initial headway. Leasing is mainly practiced in small industrial and commercial enterprises that are poorly managed. The lessee pays the state a given amount in rent, after which it can manage its own affairs and assumes sole responsibility for its own profit and loss. The number of these enterprises is still relatively small. In recent years, the shareholding system has witnessed some progress in many places across the country. Enterprises have been able to manage their own affairs on the basis of more clearly defined property rights relations, and have demonstrated considerable development potential and vitality. It is reckoned that, on the basis of experience gained from pilot projects, the shareholding system with the state having controlling shares and enterprises buying one another's shares, and supplemented by share-buying by individuals, is likely to become an important form of publicly owned enterprise in the socialist economy in the future.

On the whole, major and significant changes already have taken place in the operating mechanism of China's economy. The pace of reform in China is much faster than most people thought, and the actual content of the reform also is much richer than was described by the theories put forward. Reform has become the conscious action of leaders at various levels and of the masses. The achievements we have made in our reform have enabled us to see with confidence the success of the socialist reform.

II. Major Problems in the Current Economic System

Although we have made significant headway in our economic restructuring, the reform carried out in different realms and localities has been unbalanced, and a new management system for the socialist commodity economy still is not fully established. Our economic life is still beset with complicated contradictions, and we still have a series of tough tasks to tackle in our reform. The major problems at present are as follows:

First, large and medium-sized enterprises still have not been fully invigorated. In recent years, the economic performance of enterprises has dropped, and the drop in economic performance is particularly serious in large and medium-sized enterprises under whole-people ownership. This is due both to the effects of the external environment and to the internal operating mechanism of enterprises. From the perspective of external factors, we see that large and medium-sized enterprises usually are assigned a lot of mandatory plans. Products covered by state plans usually are priced by the state and are sold at cheap prices. Large and medium-sized enterprises also have a heavier tax burden than small enterprises, township and town enterprises, and the three kinds of partially or wholly foreign-owned enterprises. Seen from the internal operating mechanism, large and medium-sized enterprises are not totally responsible for their profit and loss, and are lacking in business drive. Although the present system of contracted management responsibility is already a great improvement on the practice under the traditional system in which the state assumes overall responsibility for the profit and loss of enterprises, to some extent enterprises (particularly large and medium-sized enterprises under whole-people ownership) still are responsible only for profit, but not for loss. In other words, the government still gives them support and protection when they sustain losses. Particularly worthy of attention is that enterprise operators are not directly responsible for their profit and loss. This is a fundamental reason why some enterprises have been performing poorly.

Second, the fact that the pricing structure and the price formation mechanism are anything but reasonable has imposed restrictions on the optimum distribution of resources. The pricing structure is unreasonable mainly because the price parity of capital goods priced by the state is too small, with the result that underdeveloped industries become even more underdeveloped. The following set of figures may serve to illustrate the great disparity between prices fixed by the state and market prices: The market price of coal is 1.7 times higher than the planned price; the price ceiling for crude oil outside the state plan is 2.48 times higher than the planned price; the market price of rolled steel is 80 percent above the planned price; and the market prices of basic chemical products are 11-65 percent above the planned prices. Enterprises producing these products sustain heavy losses because raw and semifinished products are sold at low prices. Neither is the fact that they lack development capability conducive to the absorption of funds by these

underdeveloped sectors. Meanwhile, because these basic materials are so cheap, many users do not even try to economize on their use. This has resulted in great waste. The unreasonable pricing structure and price formation mechanism have made the restructuring of industries extremely difficult.

Third, there is a grave tendency for the decentralization of capital. At present, the decentralization of capital finds expression on many levels. First, there is a decline in the proportion of state revenue in national income and in the proportion of central revenue in state revenue. As a result, the state lacks the necessary funds for key construction projects, and finds itself less and less capable of regulating and controlling the macroeconomy. Second, under the system of contracting at various levels, capital is scattered and allocated to various administrative regions, enterprises, and establishments. Owing to the fact that necessary circulating mechanisms for production factors are lacking, normal channels for the pooling of capital are blocked. As a result, unit investment is small and overlapping in construction is serious. Rather than heading toward centralization, production is heading toward decentralization to a certain extent.

Fourth, the new system of macroeconomic management to meet the needs of the commodity economy is still far from perfect. In the past, under the traditional system the central authorities controlled most funds and materials, and they relied mainly on mandatory plans and other direct administrative means to run the economy. At present, direct means of control have been reduced, but indirect means of regulation and control have not been fully developed and certain administrative departments are not well-acquainted with indirect management. In recent years, the state has accumulated some experience in overall control through controlling the issuance of money, the scale of credit, interest rates, and the like. However, in structural readjustment, particularly in the readjustment of the industrial structure, technical structure and organizational structure, indirect means of macroeconomic regulation and control are sadly lacking.

III. Basic Orientation and Tactics for Future Reforms

After 12 years of searching and probing, the reform of the economic system has achieved major progress in China. The outline of the 10-Year Program for Economic and Social Development and the Eighth Five-Year Plan adopted by the Fourth Session of the Seventh National People's Congress put forward the basic objectives and principles for reform in the coming decade. A major objective is: After another 10 years of hard work, an economic system and operating mechanism that are suited to the development of the socialist planned commodity economy, with the public ownership system as its basis, and that combine the planned economy with market regulation should have been established initially. This means that in the next five to 10 years, reform in China will neither go backward nor stand still, but will make great strides forward on the basis of the consolidation of existing achievements of reform, and the

transition from the traditional system to the new one will be completed. This will be a very arduous task. As we do not have any existing experience to fall back on, we can rely only on bold exploration and creative work in both theory and practice.

The basic orientation for future reform is to bring about the organic combination of the planned economy and market regulation. Considering that our markets are not fully developed, and that factors pertaining to the old system are still present in many aspects of our economic life, the basic trend of future reform should be to change the functions of planning, that is, the replacement of direct planning, with mandatory plans playing the leading role, by indirect planning, with guidance plans playing the leading role; promote market growth; further narrow the scope of mandatory plans and suitably enlarge the scope of guidance plans; and give greater scope to the role of the market mechanism.

At present, some people still doubt whether the planned economy and market regulation can be organically combined. Some are even opposed to the idea. Some people think that our only way out lies in abandoning the planned economy and turning to privatization and a purely market economy. This will be a great step backward in history, and naturally we are opposed to it. There also are people who think that socialist public ownership and the market mechanism are not compatible. They are against enhancing the role of the market mechanism. They even attribute to the market all problems and contradictions arising in the course of the replacement of the existing two-tiered structure, and advocate and emphasize the need to restore the traditional system of the planned economy and enlarge the scope of mandatory plans. While these two views serve different purposes, they are both negative concerning the combination of planning and the market. In my opinion, both views lack theoretical justification. Contrary to these views, experience at home and abroad has given us ample proof that the combination of planning and the market provides an effective means of optimum distribution of resources. In the developed countries of the West, government intervention in the running of the economy through different ways and means became a general trend after World War II. Some countries even clearly drew up intermediate and long-term plans for economic, technical, and social development. The free market economy gradually developed into the so-called "mixed economy" in some countries. The achievements of our reform in the past decade and more have vividly demonstrated the possibility and superiority of the combination of planned economy and market regulation. Without reform in the past decade, the Chinese economy would not have been able to grow at such a high speed, and today's ample supply of commodities would have been impossible. Thus, searching for a socialist way of reform with Chinese characteristics in accordance with the principle of the combination of the planned economy and market regulation will be a task of great promise.

In order to achieve this objective, we must reform our economic system in the following ways in the next five to 10 years:

First, we must deepen the reform of enterprises and improve the operating mechanism of enterprises. At present, the main task of the reform of enterprises is to invigorate large and medium-sized enterprises, strive to achieve better economic results, improve the external environment for the operation of enterprises while improving their internal management, tap latent potential, demand better efficiency within enterprises, and gradually turn enterprises into producers and operators that are responsible for their own profits and losses. In making whole-people enterprises assume sole responsibility for their own profits and losses, we should proceed mainly from the separation of profit delivery and tax payment, and put enterprises on an equal footing in tax burdens and competition. Then, we should proceed to separate government and enterprise functions, and truly give enterprises decisionmaking power. On the question of the system of property rights, we should conduct experiments on the shareholding system at selected spots and improve the mode of state asset management. We should improve the system of enterprise leadership, and create the necessary conditions for enterprises to assume sole responsibility for profit and loss by carrying out corresponding reforms of their personnel, labor, and distribution systems. We also should implement the insolvency system in accordance with law, and require enterprises to declare themselves bankrupt when they cannot pay their debts. For the purpose of maintaining social stability, the state should, in a controlled way and on a selective basis, allow enterprises with extremely poor performance to close down. In this way, the role of the market as a place where the superior wins and the inferior is eliminated can truly be brought into play. At the same time, a system of unemployment insurance also should be established.

Second, we must speed up market growth and improve the socialist market system. Efforts must be made to form a market regulatory mechanism that respects the law of value and the law of supply and demand, and that is under the guidance of state plans. First of all, we must actively and steadily promote price reform, gradually straighten out the pricing structure, establish reasonable price formation and price management mechanisms, and put these mechanisms on a sound basis. The basic orientation is that prices for a small number of important products and services that are of vital importance to the national economy and people's livelihood should be placed under the management of the state, but the prices fixed by the state must reflect the requirements of the law of value and the law of supply and demand. The majority of everyday products should be subject to market regulation. In the intermediate and near future, efforts should be made to resolve the problem of the retail price of grain being lower than its state purchasing price, readjust the prices of the means of production, and gradually eliminate the double-track pricing for these

capital goods. The prices of certain products gradually should be brought into line with international market prices. Meanwhile, efforts should be made to further improve the market system; energetically develop the capital, technology, information, real estate, and labor markets while improving the consumer goods market and enlarging the capital goods market; improve market regulations; and put market order on a sound basis.

Third, we must change the management functions of the government and improve the system of socialist macroeconomic management. The focus of the task of establishing a new system of macroeconomic regulation and control is to reform and improve the socialist planned management system. On the one hand, we must shift from reliance on direct mandatory plans to reliance on indirect guidance plans in our planning work. On the other hand, we must put an end to the current situation in which state plans do not have complete coverage, and make sure that state plans can effectively predict, plan, guide, regulate, and control economic activities in society as a whole. We should replace the direct management of enterprises by government departments with management by respective trades; properly draw up programs and policies for different trades; and carry out corresponding reforms in the financial, taxation, banking, foreign trade, labor, and wage systems, so that the mode of macroeconomic management and the capability of macroeconomic regulation and control can meet the requirements of the development of the commodity economy.

We believe that after another five to 10 years of hard work, the objective of establishing a new system that organically combines the planned economy with market regulation in accordance with the requirement of developing a socialist planned commodity economy and on the basis of consolidating the existing achievements of reform definitely can be achieved on time.

Economist Discusses Two-Tier Pricing System

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[Article by Yang Shengming (2799 5110 2494) of China Academy of Social Sciences Institute of Finance, Commerce, and Commodities Economics, written in March 1991, edited by Zhang Jing (1728 7234): "Historical Position and Future of Two-Tier Pricing System"]

[Text] The most controversial issue in China's price reform is the two-tier pricing system of capital goods. At this point, such controversy may be generally divided into three stages. At the first stage, the question was whether the emergence of the two-tier system was a result of policy mistakes or an inevitable result of development. At the second stage, the question was whether or not advantages of adopting the two-tier system outweighed its disadvantages. At the third stage, the question was whether or not the two-tier system could be immediately abolished, and what would be the future development, that is, should we return to the outdated traditional system, or should we move toward a planned

market pricing system. Of course, these questions interact with each other, and it is very difficult to distinguish one from the rest. I will discuss these issues in this article.

I. Two-Tier System: A Choice of History

Two-tier pricing has existed in China's economic life for 40 years, and continues to expand. At present, the practice has penetrated into almost every domain of the national economy. This is by no means an accidental phenomenon. Rather, it was a result of profound social and economic causes. To find its sources, to explore its rational contents, and to make it play a proper role remain tasks facing us.

The two-tier capital goods pricing system is a structural phenomenon. Therefore, we must understand its formation by starting with the economic system. In terms of a given economy's major operation mechanism, the economic systems of different countries may be divided in two general groups, namely the systems of planned and market economies. The former is operated mainly by depending on mandatory plans formulated by administrative organs at various levels; this is also called a command system marked by administrative coordination. The latter is operated mainly by the market mechanism; this is also called the market system. Our experience over the past decades has proved that in the realm of planned economy, one will not succeed in readjusting an economy by simply depending on planning and coordination. Instead, one must adopt a market mechanism, and integrate it with planning and coordination. Likewise, a market economy country will not succeed in readjusting its economy by simply depending on the market mechanism. Instead, it must adopt the mechanism of planning, and integrate the market with planning. Our development in the past has repeatedly proved that an integration of planning and market is actually an integration of a "visible hand" with the "invisible hand." This is a common trend and rule of economic operations all over the world. But the point is, how can we do well in integrating planning with the market? Following the implementation of reforms and opening up, China's economic circle has proposed three models that integrate planning with the market, namely "block integration," "penetrative integration," and "flexible integration." At present, we are exploring the best specific form of integration of planning with the market under different economic ownership systems for various trades, different production links, and various regions.

In the realm of capital goods pricing, how to flexibly integrate planning with the market, to make them run parallel with each other, to give play to their advantages, and to eliminate each other's weak points is an important task before us at present and in the future. Our task is not to abolish planned pricing or to simply adopt market pricing, still less to abolish market pricing or simply adopt planned pricing. Instead, we should find through trials the best scope, form, quantitative limits, and operation mode of integrating planning with the

market. In the past decade, we made remarkable achievements in this respect. One of them is that we have found the two-tier capital goods pricing system. Judging from the present situation, the two-tier system is a transitional mode with both advantages and disadvantages, though it is not the best mode of integrating planning with the market. It is indispensable before we find a better one to replace it. How do we integrate planning with the market in a better way if we discard it? Some people advocate that we should simply and indiscriminately establish two markets and two ways of pricing; that some products would be subject to planned pricing, while others would be subject to market pricing; and that none of the capital goods could have both the planned and market prices. This is presently impractical. Upon realizing his economic interests manifested by the price difference, who would like to go back to the planned pricing? Because of the state's limited strength, it is difficult to make the planned price match the market price. If we force ourself to put it in practice, it will inevitably turn the above-ground "proportional" two-tier system into an underground "proportional" two-tier system. Hence, under no circumstances will the indiscriminate practice be practical before the planned price has basically reached a reasonable level.

Some people hold that the 1985 move to legalize the two-tier pricing system of capital goods was a historical mistake. Facts have indicated the opposite. By then, when we were under the impact of reforms, we only had the following options regarding ways of introducing market mechanism into the realm of capital goods: (1) to uphold that the planned pricing is the uniform and only way, and reject market mechanism; (2) to discard planned pricing, and adopt market pricing on a full scale; (3) to make some products subject to planned pricing, and others subject to market pricing; and (4) to implement planned pricing for products within the planned quota, and allow that portion exceeding the quota subject to market pricing. It goes without saying that the first two options were simply impractical. The point was, should we pick the third or fourth option? If the third option, we had to make the planned price conform generally to the value or production cost of the goods in question. The difference between that price and the value must not be too wide, and the supply-demand situation should not be highly imbalanced. We did not have these two conditions at that time. In addition, because of the state's limited strength, we were unable to make the planned price reach a reasonable level. If we picked the third option under these circumstances, this would not only make the enterprises unable to equally share the benefits, but would also eventually make the price of capital goods soar. In order to make our price reform progress smoothly, we picked the fourth option. We introduced the market mechanism into various kinds of capital goods, and made every enterprise and product share the benefits brought by the market mechanism and advantages of reforms. This might be a reasonable and inevitable choice, and this was the choice of history.

The two-tier capital goods pricing system was not only brought about by great changes in the economic system, particularly the pricing system, but also struck deep roots in the productive forces of society. The role of productivity in constraining the two-tier system was mainly manifested by the contradiction between supply and demand, which promoted the formation of the two-tier system. Why should a commodity's movement be subject to readjustment by planning and the market, and why should there be planned price and market price? The cause for this was complicated. Outwardly, it was a structural phenomenon caused by progressive price reform, and it was a transitional form inevitably adopted for replacing the mode of planned pricing by that of market pricing. Inwardly, this was an approach inevitably adopted because our productivity was poor, and our commodities were scarce and not rich in variety. If our productivity was high, and there was a rich variety of commodities, a buyers' market would develop, and we might open the prices full scale so that there was no need to implement such an imperfect and tedious two-tier pricing system. Nobody's thinking can transcend objective reality. The rationality of all economic systems, particularly pricing systems, must be based on the material conditions. In reality, China's commodities are scarce and not rich in variety. Though the supply of certain products exceeds the demand, the supply of most commodities can hardly satisfy the demand. The aggregate demand is greater than the aggregate supply. If we discard planned pricing, and practice full-scale market pricing under these circumstances, it is inevitable that the general price level will continue to soar, and that our price reform will no longer be practical, and the whole national economy will become chaotic. Limited by our economic conditions, and under the conditions that we cannot open up pricing on a full scale, we can only open up pricing gradually. Furthermore, there are only two options to open up pricing, namely, to open up pricing group by group according to commodity category; and, in each commodity category, to open up the pricing bit by bit. The result of implementing the former will be the formation of a "block" type two-tier pricing system; whereas the latter will be the formation of a "proportional" two-tier pricing system. These two two-tier pricing systems are caused by contradictions between commodity supply and demand, and are inevitable in the process of replacing planned pricing with market pricing in a short-supply economy. In the mid-1980's, our reforms were carried out so hastily that we had no time to classify tens of thousands of kinds of capital goods, or to determine which capital goods were suitable to be under the "block" two-tier system and which capital goods were suitable to be under the "proportional" two-tier system. Instead, we acted indiscriminately, and put almost all capital goods under the "proportional" two-tier system. Upon reviewing and analyzing our practice, it is found that it would be better if we classified various kinds of capital goods, and according to their characteristics, respectively put them under the "block" or the "proportional" two-tier system. In fact, a "block" two-tier system has taken shape after

we rectified the economic environment, consolidated the economic order, and monopolized the supply of certain capital goods which are under a tense supply-demand situation. Nevertheless, when the capital goods are generally scarce, it is inevitable that for a considerable time to come, we shall take the "proportional" two-tier system as the major form in order to safeguard the key production construction and to invigorate the economy.

Though the two-tier system is a structural and productive forces phenomenon; and is developed by society's economic system and productive forces, it is impossible to turn it into reality, or to make it a state economic system, without the policies and permission of the party and government. The functions of policies are to turn those objective requirements for structural reform, as well as development of productive forces, in respect of the two-tier pricing system into people's voluntary acts. The orientation of policies is of vital importance. When the orientation is correct, it will intensify the development of productive forces, as well as the structural reforms. Otherwise, it will hinder such development and reforms. At present, the question is: judging from our experience over the past five years, are our policies toward two-tier pricing system correct?

After the adoption of the two-tier system, some people held that this was a major policy mistake and that this practice used pricing to check the planned demand, as there were two pricing rules for the same product, namely planned and market pricing. The price of those under planned distribution was lower than those open to market selection. In short, the so-called two-tier system simply undermined the principles of planned distribution and market selection.

Contrary to the above viewpoint, I hold that the two-tier pricing system conforms to China's national condition, and conforms to China's productivity as well as its present economic situation. It is therefore correct. Although there have been deviations in its implementation, and, to a certain extent, there was even a chaotic situation, the two-tier pricing policies were generally feasible. It has promoted development of China's productive forces and an in-depth reform of the economic system, particularly the pricing system. So long as one realizes how China's output of major capital goods grew sharply during the Seventh Five-Year Plan; how prosperous were the town and township industries, as well as local industries; how the traditional capital goods pricing system was broken through; and how thriving the market mechanism in the realm of capital goods pricing was, he will have no doubt about the mighty progressive nature of two-tier pricing policies in history. This will be analyzed in detail in the following paragraphs.

II. Historical Achievements and Limitations of the Two-Tier System

The greatest historical achievements of the two-tier pricing system was that it opened a way to reform the pricing of capital goods in a tense economic environment

and promoted a replacement of the pricing mechanism, which introduced the market mechanism into the production of, and exchanges among, large and medium state-run enterprises. It is widely known that China began its price reform with the pricing of agricultural products. Between 1979 and 1985, it made major progress in reforming the pricing of agricultural products. Thus, there were fundamental changes in the pricing mechanism. This situation required corresponding price reform in industrial products, particularly industrial capital goods. But how could we make a breakthrough in the price reform of industrial capital goods? How could we make the pace of price reform in large and medium state-run enterprises match that of the nationwide reform? These were very pressing problems at that time. The solutions to these problems were nothing more than the following two options: The first was to open up the pricing of certain industrial capital goods to the market, while the rest would be temporarily under planned pricing, so that only part of the capital goods were subject to market pricing. In other words, the practice introduced the market mechanism only into certain enterprises. The second was to introduce the market mechanism into every enterprise, and into the pricing of all capital goods. The market mechanism would be applicable first to directly sold products, and those exceeding the assigned quota; and would gradually expand to cover, and penetrate into, products under state plans. The proportion of market pricing would be increased, whereas that of planned pricing would be reduced until the fundamental replacement of the pricing mechanism was eventually done. While the first scenario would bring about a "block" two-tier system, the second would form a "proportional" two-tier system. Under the then conditions that we could not sharply raise the planned prices, the "proportional" two-tier system was better than the "block" one, as it was able to mobilize the revolutionary enthusiasm of every enterprise. Otherwise, the implementation of the "block" two-tier system might expel some enterprises that were part of the "planned group," which was unfavorable to mobilizing their revolutionary enthusiasm. Upon careful consideration, it was held that the "proportional" two-tier system was the correct way to implement price reform in capital goods. Facts have shown that this kind of two-tier pricing system has attracted all enterprises into the current of price reform. Of course, the market price of various enterprises differs among each other, so does the market mechanism's role. Therefore, various enterprises are different in enthusiastically carrying out price reform.

Another great historical achievement of the two-tier pricing system was that it promoted a large-scale development in China's production of major industrial capital goods. In determining whether or not the two-tier pricing system is successful, the only criterion will be the level of productive forces. It is widely known that the past five years after the legalization of the two-tier system was also the Seventh Five-Year Plan. During this period, there was a sharp growth in China's production of major

industrial capital goods. According to the latest data available from the State Statistics Bureau, the output of 60 kinds of major industrial and agricultural products under the Seventh Five-Year Plan was "up to expectations." Such a great achievement was of course a result of reforms, including price reform. We never take the two-tier system into account for such great achievements. Nevertheless, it is undeniable that the two-tier system contributed to the success. A responsible person of the metallurgical departments expressed that without the two-tier pricing system, the output of steel would never go beyond the 60-million-ton mark. This is the gist of the situation. Among various trades, such as coal, petroleum, and power generation, this was true without exception! Under the circumstances where the planned price was excessively low, and it was unable to be sharply raised, every enterprise was given certain economic interests through the two-tier pricing system. This greatly mobilized the enterprises' enthusiasm in developing production. As the price difference was wider for departments and trades that faced severe shortage of goods, enterprises could get more economic interests by increasing their output so that they were highly enthusiastic about developing production. It was just because of this logic, and this practice, that the two-tier system promoted the development of production.

Yet another historical achievement of the two-tier pricing system was that it cultivated the growth of millions of town and township industrial enterprises. Town and township industries developed very rapidly in the days of reform and opening up. There were, of course, many reasons contributing to this, including the two-tier pricing system's role that could not be overlooked. It is widely known that the raw materials of, as well as products made by, town and township industries were generally not under the planned group. The sales of those depended on the market. Prior to reforms, they developed and survived by filling in the gaps. When the market grew larger after reforms were carried out, the territory of these industries was expanded, and their vitality became stronger. This is a structural reason that town and township industries rapidly developed in recent years. These industries obtained their raw materials and driving force from the "market" tier of the two-tier system, and put their products back to the market. Hence, market was the bread and butter of town and township industries. When the two-tier system is abolished and the capital goods market closed, the town and township industries will have no standpoint. No matter how perfect our plans are, it is impossible to make our production, supply, and sales plans cover town and township industries. The town and township industries depended on the market, as well as the two-tier system, in the past. They will continue to act like this in future.

Although the two-tier system has the above-mentioned progressive nature in history, it still has its limitations. Such limitations were mainly that it is simply a transitional mode in the process of price reform, and is a bridge, or a vessel, that helps the replacement of the planned pricing system by a planned market pricing

system. It would be impossible to reach the other side from this side of the river of price reform without a bridge or vessel. Without such a bridge or vessel, the river-crossing is simply empty talk. Without the two-tier pricing system, it would be very difficult to accomplish China's task of price reform. Nevertheless, such a bridge or vessel is only an instrument to cross that river, so is the two-tier pricing system, which is a transitional form in the process of price reform. Basically, two-tier pricing does not conform to the requirements of the socialist planned commodity economy, nor is it an ideal mode of price reform. It is widely known that according to the socialist planned commodity economy's objective requirements, such a pricing mode marked with Chinese characteristics should be a mode of planned (controlled) market pricing. In such a mode, except for the prices of a few commodities which are of vital importance to the national economy, and should be set and controlled by the state, the prices of an absolute majority of commodities, and labor service will be subject to negotiations between the vendor and the customer, or subject to market pricing. The price of a commodity or labor service under such a mode will be either the planned price set by the government or the market price determined by an enterprise. No commodity or labor service can have two different prices.

Another limitation of the two-tier pricing system is that the relationship between the two tiers in terms of proportion was easily influenced by subjective wishes, and there was no objective standard. In most cases, the proportion of planned and market pricing of a particular product was set through negotiations between enterprises and the competent departments. When an enterprise held that its share of market pricing was too small, and did not meet its own needs, it would act on its own accord and change the negotiated proportional pricing, would reduce the proportion of planned pricing, and would stop performing its contracts. Moreover, the shortcomings of the two-tier system were one of the causes for "speculations by officials."

By comprehensively studying the progressive nature of the two-tier system in history together with its limitations, one may conclude: It is a way of carrying out price reform in capital goods marked with Chinese characteristics, and is a must for us to develop from the mode of administratively planned pricing to that of controlled market pricing.

III. The Two-Tier System's Historical Destiny

The issue of "merging the two tiers" of capital goods pricing had been discussed as early as two years ago. It has recently become a hot topic again in pricing circles. Some departments or regions even put the merger into practice. In the process, some people put forward that the merger should be done immediately, and that the two-tier system should be abolished as soon as possible. Some people advocated that we should basically solve the issue within three years, and strive to completely eliminate it within five years. To a

certain extent, such feelings of anxiety were comprehensible. However, they might treat the issue too simply, and might act too hastily. Upon careful consideration, it is not difficult to find that, except for specific capital goods that were suitable for "merging the two tiers," an absolute majority of capital goods had neither the social nor economic environment for "merging the two tiers." Whether or not we can "merge the two tiers" and whether or not we can abolish the two-tier pricing system depends on the combination pattern of internal factors to the two-tier system, as well as the external social and economic environment, rather than our objective wishes.

Judging from the combination pattern of internal factors to the two-tier system, it is nothing more than a form of integration of planned mechanism with market mechanism in the area of capital goods pricing. Of course, a form reflects its contents. Thus, the two-tier system reflects the mutual relations between the planned and market mechanisms in the pricing of capital goods. Prior to the implementation of reforms, the practice of planning dominated the domain of capital goods pricing, and there was no two-tier system. Naturally, there was no contradiction between planning and the market. Following the implementation of reforms, the market mechanism was introduced into almost every aspect of capital goods pricing, so came the two-tier system for market and planned pricing. It was inevitable that the introduction of a market mechanism into the domain of capital goods pricing contradicted with, and struggled against, planned pricing, and developed many unanticipated problems. How do we deal with these problems? Is it possible to expel the market mechanism out of the domain of capital goods pricing? It certainly is not. Our only solution is to retain the market mechanism and to integrate it with the planning mechanism in a better way. Such integration is one of the most difficult economic issues faced by the modern world, and a very successful example is yet to be found. If we fail to find a better way to integrate planning with the market, the two-tier system will never step down from the stage of history, no matter what our subjective wishes are. Judging from the present situation, it is very difficult to find in the short run an ideal form to integrate planning with the market. Therefore, the two-tier capital goods pricing system will continue to exist for a long time in China, and will at least be a historical phenomenon throughout the preliminary stage of socialism.

A further analysis of the external social economic environment of the two-tier system also indicates that the present conditions are not suitable for us to abolish the two-tier system. The two-tier system was neither developed out of an individual's imagination nor was it a mistake of our policies. Rather, it was a natural product under specific social and economic conditions. Provided that such conditions continue to exist, the system will not disappear just because certain people oppose it. The two-tier capital goods pricing system is a structural phenomenon. Such phenomenon will gradually "vanish" only through an in-depth development of structural

reform. Reform in the capital goods pricing system is closely related to reforms in the planning, goods and materials, fiscal, and financial systems. To simply "merge the two tiers" of the capital goods without corresponding reforms in other systems is nothing more than a wishful thinking. Judging from the present conditions, it is very difficult to make a breakthrough in structural reforms in the short run. Therefore, the issue of "merging the two tiers" can only be done step by step. There must not be any remarkable progress in this respect. This determines that it is impossible to abolish the two-tier system in three-five years, or even 10-20 years. In order to "merge the two tiers," there must be a relaxed economic environment. To form such an environment is much easier said than done. Given the conditions in China, which is a populous country with a weak economic basis, it is very difficult to form such an environment in the short run. Hence, the act of "merging the two tiers" may be our powerful means to sharply push up the price level. In the long run, it is very difficult to distribute raw materials to town and township enterprises and local enterprises by planning. It can only be done by market readjustment. Therefore, it is inevitable that the pricing of such portion of raw materials subject to market readjustment, and the pricing of that portion of raw materials subject to planned distribution will continue to exist in the form of the two-tier system.

Judging from the price reform itself, everyone acknowledges that the two-tier system is a transitional mode. One may ask whether or not the transition has been completed? If not, what shall we do if we have prematurely abolished such a transitional bridge or vessel—the "two-tier system"? It is forbidden under China's conditions to achieve the reform goals overnight. Such reforms could only be implemented through the two-tier system, by gradually expanding the scope of products subject to market pricing, or by gradually increasing the proportion of market pricing for a particular product. The two-tier system is an important means for a gradual price reform. It would be difficult to abolish the two-tier system before we have accomplished price reform.

The present conditions are not suitable for abolishing the two-tier system, and it takes a long time to create such conditions. If we force ourselves to "merge the two tiers" when it is unsuitable, it is highly possible that the "explicit two tiers" would become "hidden two tiers." Furthermore, there may even be fluctuations in "merging the two tiers." If the conditions are suitable, and the merger is done, it is still possible that the two-tier system may be revived in the wake of changes in such conditions, which may later be merged into a single tier again when the conditions make it desirable. The shift back and forth from two tiers to a single tier, and then back to two tiers, may be one of the rules of price movement in China's socialism at the preliminary stage.

The "merging of two tiers" is a natural process that will occur when the conditions are ripe, and is not a result of artificial or compulsory actions. On the basis of this understanding, it is suggested that we should adopt the

approach of letting it "vanish," instead of the widely reported approach of "merging the two tiers." This is not a play on words. Rather, this is a move to strive to make our subjective acts tally with the objective conditions.

In addition to understanding the arduousness, time-consuming nature, complexity, and recurrence of "merging the two tiers," we must correctly solve problems concerning the direction of such a merger, that is, problems concerning the historical destiny of the two-tier pricing system.

What should be the direction of "merging the two tiers?" An opinion held that "merging the two tiers" was a process to shift toward planned pricing (or leaving the government to set the price); that through the merger, most of the capital goods would be subject to planned pricing or would have their prices set by the government; and that only a few minor capital goods would be subject to market pricing. Another opinion held that "merging the two tiers" was a process to shift toward the market (or market pricing); that through the merger, most of the capital goods would be subject to market pricing; and that only a few major capital goods which are of vital importance to the national economy would be subject to planned pricing. There was still another opinion which held that through the merger, the authority of pricing for most of the capital goods was first centralized, and planned pricing would be adopted for the goods; and that the pricing would later be open to the market by steps and in stages according to the situation, until most of the capital goods were subject to market pricing. The above three opinions indicate three different directions of "merging the two tiers." These directions determine whether or not the merger will succeed, and determine whether or not our price reform in capital goods will succeed. Therefore, it is definitely necessary that we must clarify this point.

The direction of "merging the two tiers" mainly depends on the nature and type of China's economy, the target mode of prices of capital goods, and our stage of reforms. After 40 years of changes, China's economy is no longer a natural economy, or a product economy. Instead, it has become a commodity economy. Although the present commodity economy is yet to be developed, we are determined to rapidly develop the commodity economy. It is firmly believed that China will soon have its developed commodity economy. It is certain that market comes after commodities. It is thus inevitable that a developed commodity economy must have a prosperous market. If this prerequisite is tenable, it can be certain that the direction of "merging the two tiers" of capital goods should be a shift toward the market (or market pricing); and through the merger, an adoption of market pricing for most of the capital goods. This does not rule out the shift that the pricing of certain particular capital goods would be subject to planned pricing. Essentially, there are some capital goods which are only suitable to be put under planned pricing but not market pricing, or the "two-tier system." However, they were put under the two-tier pricing system over the past years. When dealing

with this problem, we should gradually abolish the market price of such goods by "merging the two tiers," and shift its pricing toward the planned one. Under no circumstances should such sporadic or specific cases negate the move of "merging the two tiers" in favor of the market. The direction in favor of the market mentioned above is essentially different from such "marketization" proposed by liberalism; and one must not use the latter to oppose or negate the former. Now, the developed countries' experiences have shown that it is feasible and effective to adopt market pricing for most commodities, and to adopt planned pricing, or to have the government to set prices for, a few commodities. It is worth drawing a lesson from such experience. Though we have not reached this stage due to our present conditions, we should gradually move toward this target.

The 13th CPC Congress has confirmed China's target mode of price reform, which is to adopt market pricing for most commodities, and to adopt planned pricing for a few important commodities. At present, we still have a long way to go to accomplish such a target. Today, the proportion of capital goods under market and semi-market pricing to the overall pricing of capital goods is no more than 40 percent, and the proportion of capital goods under planned pricing is about 60 percent. We still have to make progress in order to accomplish our reform goals! This thus requires that when "merging the two tiers" of capital goods pricing, we should from now on go through a process that favors market pricing, instead of the opposite direction. If we interpret the direction of "merging the two tiers" as a shift in favor of planned pricing, we will never realize China's target mode of price reform confirmed by the 13th CPC Congress.

There was almost no market price in this area prior to our price reform of the capital goods. Through our reforms, the proportion of market pricing has reached about 40 percent. This figure indicates that we have made remarkable achievements in the price reform of capital goods. Based on this, we should continue to progress, intensify our reforms, and accomplish the targets confirmed by the 13th CPC Congress. Otherwise, if we take the shift in favor of planned pricing, and gradually reduce the scale of market pricing through the merger, not only will this go against the direction pointed out by the 13th CPC Congress, but also it will basically negate our achievements in price reforming capital goods over the past 10 years. Thus we can see that the issue of "merging the two tiers" is by no means a trivial matter. Rather, it determines the direction and success of our price reform as a whole. If the result of such a merger is to adopt planned pricing for more capital goods, and to adopt market pricing for a few minor capital goods, this means that our price reform has failed.

Recently, some comrades superficially took an affirmative attitude toward the act of favoring the market as the direction of price reform. In practice, they negated this development. They elaborated at length on the issue concerning "most" and "a few." According to their viewpoint, only a few capital goods are covered by

planned pricing or have their prices set by the government, in the state pricing departments, various central departments, various provincial pricing departments, various departments directly under the provincial authorities, and even pricing departments of municipalities directly under the central authority. Superficially, it seemed they advocated adoption of planned pricing for a few capital goods. In fact, this amounted to an absolute majority if we added up such numerous groups of a few capital goods supervised by various government departments. If such five levels of pricing departments, from the central to local ones, hold the authority to set prices for 20 percent of capital goods, the prices of China's capital goods will be entirely under planned pricing or completely set by the government; and there is simply no room for market pricing. In view of this situation, and in order to precisely illustrate the direction, as well as the target mode, of our price reform in China's capital goods, it is definitely necessary to define the specific meaning, and the extension of the terms "most" and "a few" in relation to the target mode of our price reform confirmed by the 13th CPC Congress. According to my interpretation, the so-called "most" means a decentralization of the authority to enterprises to set prices for 70-80 percent of capital goods, and to let enterprises fix the price according to the supply-demand situation, that is, the adoption of market pricing. The so-called "a few" means that the authority to set prices for 20-30 percent of capital goods will still be held by the pricing departments at various levels; and planned pricing, or prices set by the government, will be adopted for such goods. But further studies have to be made on the issue of how to distribute such authority among these departments in the pricing system. Thus, this will form an overall situation where market pricing is adopted for most of the capital goods, and planned pricing is adopted for a few capital goods. This is a mode of planned market pricing. From now on, we should carry out price reform in capital goods in the direction of heading toward such a mode.

Industrial Firms To Be Given More Autonomy

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2 Jul 91 p 3

[By staff reporter Li Hong]

[Text] The government is prepared to give industrial enterprises more control over hiring, firing and wages as a part of the on-going economic reform designed to boost efficiency, according to a recent national conference.

However, the changes may not come about as quickly as hoped because of the government's concern over the country's jobless rate.

Economists have warned that the decision may lead to higher unemployment because factories with poor profits could be expected to stop hiring people.

The national conference on labour planning, which was held in Lianyungang, Jiangsu Province, last week,

debated the possibility of establishing a new labour system based on combining government planning with market regulation.

Most of labour officials participating in the meeting agreed on the need to reform the system of centralized management of enterprises, but they were also concerned with controlling the unemployment rate.

The central government has urged efforts to keep the urban jobless rate at 3.5 percent for the period 1991-2000.

To this end, the Labour Ministry has proposed rapid development of collective, private and individual enterprises, establishment of labour intensive enterprises, expansion of labour service firms (which absorb redundant workers from work units), introduction of a more flexible labour export policy and strict control of the influx of rural labourers to cities to aid employment.

An estimated 280 million people will be entering the work force in the coming 10 years, of which 68 million will be young urban residents.

Planning officials with the Labour Ministry said that the government created a total of 38.15 million jobs in urban areas in the past five years. Its unemployment rate at the end

of last year was 2.6 percent, and only four million out of a total urban work force of 145 million were jobless.

But the officials also admitted that employment was hit hard by the 1989-90 austerity programme, especially in coal mines, the railways and defence enterprises. Also, a huge number of workers are now sitting idle at their jobs, though they have not been laid off.

The economists complained that these surplus labourers had contributed to the poor economic performance and low productivity of their enterprises.

Though the country encourages state-owned enterprises to hire workers on contract, it does not suspend the practice of assigning job-seekers to work units by administrative orders, they said.

The government has worked out a new wage system which determines a worker's salary based on such factors as the worker's ability, responsibility, work load and contributions to the work unit.

Reform of the hiring and wage systems, which both officials and economists agreed is inevitable, may not be put into practice immediately, according to officials from the Labour Ministry.

Southwest Region

Yang Rudai Interview on Sichuan's Development

HK3006080091 Hong Kong KUANG CHIAO CHING
in Chinese No. 25, 16 Jun 91 pp 29-35

[By Li Kuo-chiang (2621 0948 1730): "Jiang Zemin Issues New Instructions for Sichuan, Which Is Carrying Out Its Second Major Reforms: Interview With Yang Rudai"—first four paragraphs are KUANG CHIAO CHING introduction]

[Excerpt] CPC Central Committee General Secretary Jiang Zemin recently issued instructions in Sichuan, stressing the need to rely on science and technology [S&T] as the general orientation in realizing the Eighth Five-Year Plan and the 10-Year Program.

Hong Kong celebrity of film and television production circles and financial magnate Run Run Shaw headed a 40-member delegation visiting Sichuan in late May.

A new round of restructuring is fermenting in Deng Xiaoping's home province of Sichuan, which was the birthplace of China's rural reform.

Central Political Bureau member, concurrently Sichuan Provincial Party Committee Secretary Yang Rudai granted an interview to KUANG CHIAO CHING at the Sichuan Provincial Party Committee office on 15 May, and disclosed the direction of reform and development in the new stage.

Sichuan Has a Peculiar Place in China

Sichuan is Deng Xiaoping's home province.

Sichuan boasts a population of some 100 million, accounting for one-tenth of China's population. Sichuan holds a strategic position, with China's important war industries and "third-line construction" chiefly located in the province. Sichuan's Xichang rocket-launch base is world famous. Of the 14 Political Bureau members at the CPC top echelon, Sichuan Provincial Party Committee Secretary Yang Rudai is the only one that works outside of Beijing. The CPC's rural restructuring a decade or so ago also began with Sichuan.

What are the current conditions and future developments in Sichuan? This reporter conducted an in-depth visit in Sichuan's Chengdu and Zigong between 13 and 21 May 1991. CPC Political Bureau member, concurrently Sichuan Provincial Party Committee Secretary Yang Rudai granted a special interview to this reporter on the morning of 15 May.

Formulating Strategy for Future Economic Development Proceeding From Sichuan's Actual Conditions

Yang Rudai stated: Sichuan is characterized by its huge population and scarce arable land, with great differences between various places inside the province and many nationalities. Prior to the PRC's founding, Sichuan was

basically an agricultural province except for Chongqing, which had some industry for military and civil purposes. Through 40-some years of construction, Sichuan has developed into a province with a rather high level of agriculture, whole-ranging industrial departments, and vigorous strength in S&T. Sichuan's economy has developed even faster since the Third Plenary Session of the 11th CPC Central Committee. In 1990, Sichuan's gross national product (GNP) increased by 1.2 times from 1980, up to 114.663 billion yuan; its national income increased by 1.1 times, up to 96.369 billion yuan; its gross social output value was 219.35 billion yuan, up by 1.5 times from 1980 with an annual average growth rate of 9.4 percent.

According to Yang Rudai, what accounts for Sichuan's rapid economic growth since the Third Plenary Session of the 11th CPC Central Committee is precisely the pursuit of reform, while the present socioeconomic conditions make greater acceleration of China's reform possible. The essences of reform are two-fold; one is urban reform, and the other rural. Developing commodity economy involves a market, while socialist economy needs a market, too. The understanding of this issue today is a second emancipation of the mind following the discussion on the criterion for truth. Yang Rudai said that restriction in this arena had been rather great.

Regarding Sichuan's program of the Eighth Five-Year Plan, Yang Rudai believed that in formulating the strategy for development, it is necessary to proceed from Sichuan's actual conditions; namely:

- 1) Increasing the weight of reform, accelerating reform.
- 2) Relying on S&T for development as the general orientation for implementing the Eighth Five-year Plan.
- 3) In agriculture, developing diversified economies and enterprises in townships and towns in a big way while promoting agricultural production in a big way.
- 4) Industrially, the principle of "grasping on two hands" should be adhered to; namely, grasping the reinvigoration of large and medium-size enterprises on the one hand, and grasping the development of collective urban and rural enterprises in a big way on the other, especially enterprises in towns and townships, while doing a good job in handling the relationship between stability, reform, and development.

Sichuan Has Advantaged in Developing S&T in a Big Way

Yang Rudai said that based on Jiang Zemin's instructions made during his recent inspection in Sichuan, it is imperative to regard S&T progress as the general direction in developing industry and agriculture and implementing the Eighth Five-Year Plan. Jiang Zemin believed that to realize the second-step strategic goal of the national economic and social development and to push forward

China's modernization, reform and opening, it is imperative to attach great importance to and fully rely on S&T. Developing S&T in a big way is the crux to realizing the Eighth Five-Year Plan and the Ten-Year Program. In this arena, Sichuan has its advantages.

Yang Rudai explicitly stated: Sichuan regards S&T progress as the guiding idea in its planning for the next 10 years and relying on S&T as its major target. Because S&T will be converted to productive science through management and social decisionmaking, the Sichuan authorities officially founded the provincial leading group for S&T on 12 May 1991 to augment work concerning S&T, under the direct charge of Governor Zhang Haoru, Sichuan Provincial Party Committee Deputy Secretary Song Baorui, and Vice Governor Han Bangyan. The first step of the group's work is to make the leading members provincewide deepen their understanding of the idea and to study its implementation.

Based on his own experiences, Yang Rudai talked about his understanding, saying: In 1978, I was transferred to the provincial government, taking charge of agriculture. At that time, eastern Sichuan was suffering from a serious drought. I went there and found that on huge areas of farmland there was no water for irrigation. To insure a bumper harvest under the conditions of waterlogging and drought, we precisely proceeded from the actual conditions, varieties, and cultivation and insured a bumper harvest by utilizing S&T.

Concerning the input of results of agricultural S&T, it is necessary to shape an atmosphere by which we should help peasants enrich their knowledge and bring up qualified people.

In agriculture, the peasants are very enthusiastic about applying new agricultural S&T. It is comparatively easier to apply new S&T to agriculture due to the close relationship between new S&T and agriculture. Now we plan to help the peasants master another batch of S&T results in a three-year course of training. As to the results of industrial S&T, their conversion into production results was slow due to problems in the mechanism. From the enterprise's angle, the mechanism characterized by relying on S&T to bring along progress has not been completed; generally it takes several years to score industrial results through technological transformation. Furthermore, there will be risks in its course, and who will take them? This is a very practical issue. Institutes of tertiary education are capable of yielding results in their scientific research, but they have no money. Who will pay for the application and popularization of their results? Yang Rudai said: A solution to this will be proposed as a mechanism issue later.

The Leadership Tier Makes Friends With S&T Circles To Find Solutions to Practical Problems

Yang Rudai stressed that the leadership tier should make friends with S&T circles. Every leading member should

make one or two friends to help the intellectuals resolve practical problems, and do some substantial work. For example:

1) Medical treatment: Since late March this year, the Sichuan Third People's Hospital has devoted itself chiefly to rendering medical service to senior intellectuals, with its service level improved;

2) Additional subsidy: An additional monthly subsidy of 10 yuan is given to each of the 180 senior intellectuals who have made outstanding academic contributions in S&T. This is chiefly regarded as a political treatment, whereas "egalitarianism" in practice was a subsidy allowed to everyone in a work unit while their special contributions were not commended.

3) The provincial government has allotted an extra 10 million yuan to resolve housing problems of young teachers of institutes of tertiary education, and is determined to do a good job of resolving such problems in three years beginning with 1991.

Jiang Zemin Requires Sichuan To Augment Agricultural Base and Give Play to the Role of Third-Line Construction

Yang Rudai disclosed that between 15 and 23 April 1991, Jiang Zemin was on a nine-day inspection tour in Sichuan's Chengdu, Chongqing, Liangshan Yi Autonomous Prefecture, Pangzhihua, Leshan, and Deyang. He inspected rural areas, factories, and scientific research institutes; he visited peasant households, called a forum on agriculture, and proposed the important inference that S&T progress is the insurance and key to fulfilling the Eighth Five-Year Plan and the 10-year Program and measures for the inference's implementation.

Jiang Zemin said: Through the current inspection, I have a clearer picture of Sichuan's conditions, and "seeing is believing." He required Sichuan to augment the role of agriculture as the base and to give play to the role of third-line construction.

Sichuan's third-line construction was initiated by Mao Zedong in the early 1960's based on the concept of war preparations. Over scores of years, Sichuan has accumulated a solid foundation of science and a vigorous contingent of scientists and technicians due to third-line construction, with the surfacing of a number of famous cities such as Pangzhihua, Xichang, Chongqing, and Deyang. Now Jiang Zemin proposed the need to proceed from the productive force setup to give better play to its role.

With reform and opening and the accelerated economic development in the coastal areas over the past 10 years or so, the gap between the coastal areas and the hinterland has widened. The coastal areas and the hinterland should pursue "common prosperity." What is to be done? Yang Rudai believed: Coastal areas have fine geographical advantages which should be fully utilized; otherwise, it would be a great waste. When the economies of coastal areas are developed, the hinterland will

benefit, too; however, the gap should be narrowed. Generally speaking, the hinterland in western China is abundant in many peculiar natural resources, and China's national strength will be augmented and the western economic development be pushed forward when they are exploited. For example, Zhuge Liang [6175 5514 0081] of the period of the Three Kingdoms stated in one of his articles that Dukou was desolate. Dukou became today's Pangzhihua City, a newly rising industrial city of strategic importance in the southwest.

Yang Rudai stressed: The accomplishments of "third-line" construction should be fully affirmed, and Sichuan's solid industrial base has come into being precisely by relying on the "third-line" construction. As to such problems as interference and dispersion, they can be resolved with appropriate readjustment.

Yang Rudai Stated: Jiang Zemin Stresses the Need To Rely on S&T to Push Forward China's Development, and This Has Hit the Nail on the Head

Yang Rudai stated: Jiang Zemin stresses reliance on S&T to push forward China's development, and he has hit the nail on the head. In past economic development, stress was laid more on "quantity" than "quality." Grasping the transformation in quality has precisely knocked on the right door compatible with the national conditions. The basic task of socialism is to develop the productive force, the accomplishment of which must rely on S&T. Viewing the issue from this angle, people now have a deeper understanding of Deng Xiaoping's inference that "S&T is the first productive force" proposed some 10 years ago. Regarding Sichuan's agriculture, in the final analysis, the food problem will find a solution only by relying on S&T measures in the face of an incessantly increasing population, ever-shrinking area of arable land, and ever-higher demand in the quality of people's life. In 1990, Sichuan suffered from waterlogging in some parts and drought in others, and a serious drought at that. It was precisely through exploration in S&T that the drought situation was greatly alleviated, with a bumper harvest in the end.

Keys to Reform in the Next Step

What are the essences of reform at the present stage? According to Yang Rudai, the specific contents are:

- 1) The issue of large and medium-sized enterprises;
- 2) The fund-collecting issue;
- 3) The issue of accelerating reform;
- 4) The issue of expanding opening.

Why Is Reinvigoration of Some Large and Medium-Sized Enterprises Possible?

Every year now Sichuan allots some money to enterprise transformation.

Yang Rudai said: Today, many large and medium-sized enterprises in China are in difficulty; however, some large and medium-sized enterprises are rather successful in their management, and their universal characteristics are as follows: First, these enterprises earnestly conducted technological transformation a few years ago; second, they have strict, scientific administration; and third, they are united in one heart and soul to run the enterprise well to overcome difficulties.

Regarding price reform, prices for some commodities had long been distorted; the recent readjustment in grain prices has been most timely conducted, with meticulous preparations made beforehand, and the presentation of readjusted grain prices was conducted step by step. Consequently, there have been no psychological effects on society, and the reform turned out to be a success. Yang believed that under the circumstance that the masses could bear it psychologically, there would be no problem for China's price reform, so long as it was kept under a double-digit rate.

In rural reform, Yang Rudai said, Sichuan was the earliest to push it forward, with very good results. He said: Regarding the system of contracted household responsibility related to output, Sichuan has never wavered or been vague about this point. The keys to reform in the next step are:

- 1) Setting up a socialized service system;
- 2) Doing a good job of and reinvigorating the marketing channels for commodities, farm, and sideline produce.

Linking the System of Contracted Household Responsibility With the Socialized Service System

Yang Rudai said that it is necessary to continue to adhere to and further complete and perfect the system of contracted household responsibility. Some work in farmland building is quite beyond the capability of an individual household, thus involving the need to pursue a socialized service system. It is necessary to implement the "six unifications" and do a good job of commodity circulation in the rural areas.

The so-called "six unifications" refers to unified supply of fine breeds, unified prevention of pests, unified tillage of farmland, unified distribution of fertilizers, unified control of water and power supply, and unified training in technical know-how.

In agriculture, Sichuan will not relax agricultural production and exploitation of resources; furthermore, it will develop enterprises in towns and townships in a big way. Sichuan's population accounts for one-tenth of the nation's, while its arable land accounts for only one-sixteenth of the nation's total area. This being the case, Sichuan should not deemphasize agriculture, nor can it afford to do so.

The Food Issue Is on Top of Sichuan's List of Bottlenecks

Presently, Sichuan's per capita possession of land is only around 0.8 mu, and the incessant increase in its population results in a continuous shrinkage in the area of its arable land. By the year 2000, the per capita possession of land will drop to 0.75 mu. This being the case, the food issue is on top of Sichuan's list of bottlenecks. The solution to this issue can only be self-reliance, for it is impossible to transfer grains to Sichuan from other provinces. At the same time, to become comparatively well-to-do and rich, Sichuan needs to develop diversified management and enterprises in towns and townships on the strength of S&T and capital input.

For the peasants to advance universally to a comparatively well-off level, it is necessary to find a solution to the surplus rural labor force. Presently, there are between 15 million and 16 million surplus hands in the rural areas. According to Sichuan's actual conditions, development, reform, and stability complement each other. To handle well the relationships between stability and development, and between reform and development, we must see that reform is the impetus to economic development, and a stable environment is the prerequisite for the latter, while continuous economic development will in turn prepare conditions for further reform and promoting social stability.

In What Way Will Industry and Enterprises Develop?

In industry, two aspects must be grasped simultaneously; namely, grasping S&T on the one hand and enterprises in towns and townships on the other.

Regarding large and medium-type enterprises, it is necessary to grasp their reinvigoration, in-depth reform, and conversion of mechanism so that enterprises may have decisionmaking rights in production, their burdens in various descriptions alleviated, and greater ability in self-development.

"Going Out to Sea on a Borrowed Boat," "Hatching One's Eggs by Another Hen"

It is necessary to proceed from Sichuan's actual conditions in further extending its opening, unfolding it in an all-around and multitiered manner by way of import and reaching out to the world.

By all-around we mean: 1) Reaching out to the coastal areas by adopting the method of "going out to sea on a borrowed boat" and "hatching one's eggs by another hen" to set up showcases and run enterprises in coastal areas. To date, Sichuan has run some 600 enterprises in such coastal special economic zones as Shenzhen, Hainan, and Xiamen, involving an investment of 1 billion yuan. In Shenzhen alone, there are some 200 such enterprises, involving an investment of 460 million yuan; their industrial output value accounted for 10 percent of Shenzhen's total in 1989,

and 8 percent in 1990. 2) Strengthening ties with various southwestern provinces and regions to revive the southern Silk Road.

The so-called "southern Silk Road" goes from the north in Sichuan's Chengdu to the south in Yunnan's Dehong and Ruili, linking up such provinces and regions as Tibet, Yunnan, Guizhou, Sichuan, and Guangxi. It passes through such important strategic cities as Pangzhihua, Dali, and Baoshan, covering some 1,600 kilometers, and bordering such countries as Burma, Vietnam, Nepal, Laos, India, and Pakistan, with a borderline stretching several thousands of kilometers. The potential for development in the future is great.

The current world situation is characterized by a great improvement in the relations between China and its neighboring countries to its southwest, and the prospects are bright for opening up the southwestern border trade by utilizing this favorable factor. For example, Burma, which was always closed to China, has recently opened to China with its raw materials trading for Chinese products, while depositing its money in banks in China. Opening the southwest is very helpful to China.

The Combination of Five Southwestern Provinces in Great Cooperation

The combination of the five southwestern provinces in great cooperation to step up the economic combination of the Southwest is a new trend in China's present reform and opening.

As responsible person of an important province in the southwest, central Political Bureau member Yang Rudai told this reporter modestly: The economy of the southwest is underdeveloped, and all provinces and regions are poor. Based on the spirit of self-reliance and sincere cooperation, the poor lands are helping themselves. Since 1984, an economic cooperation zone has been set up with the participation of five southwestern provinces and regions (Sichuan, Yunnan, Guizhou, Tibet and Guangxi) along with two "observers," Chongqing and Hunan. Constant cooperation is unfolded with a conference held every year. By the year 1990, the second-round cooperation began, and the next conference will be held in Yunnan's Ruili in spring 1992. Great accomplishments have been scored over the years through combination and cooperation. The five southwestern provinces and regions have shaped into an economic combination with agricultural, transportation, and energy resource building as the keys, central cities as support, and enterprise combination as the base. They have conducted all-around, multichannel, and multi-form combination in marketing in close cooperation, with all roads being connected over the past few years. Through combination, small advantages have turned into big advantages, while the development of the southwest has been promoted. In this arena, Sichuan has brought in considerable profits, the same as other provinces and regions.

Taking Advantage of the Southwest Border To Promote Opening and Development

Making full use of the ports along the southwest borders, rivers, and coastal seas and recovering the southern Silk Road to promote development with reform and step up Sichuan's development is the province's new conception.

Results of Exchanges and Cooperation Among the Five Southwestern Provinces

The five southwestern provinces and six parties signed 9,275 contracts on projects of combination, of which 4,468 have been implemented, with 3,769 qualified people exchanged and a newly increased output value of 3.43 billion yuan, bringing in 650 million yuan of newly created taxes and profits.

What is the southwest going to do in the next 10 years? Yang Rudai said: The southwest must rely on the combination and unity of the five provinces and regions to further exploit their natural resources in joint efforts. For example, there are abundant coal and hydropower resources, nonferrous metal, chemical industry, and farm produce in Sichuan's Panxi, Guizhou's Liupangshui, and northwest Yunnan with bright prospects for cooperation. Guizhou is rich in coal deposits, whereas Sichuan has iron mines; they can complement each other's needs.

In addition, Sichuan should take an active part in improving its own investment climate.

Sichuan is rich in natural resources, with solid industry and beautiful scenery in addition to its cheap labor force and a large domestic market. Improving its own investment climate will be more conducive to southwest border ports' development.

Yang Ruidai said: If a country's economy is weak, so will its voice be in the world; with a weak economy, a country will be bullied.

Three Measures To "Stabilize the Tibetan Areas"

Sichuan has a large population with many nationalities. The maintenance of Sichuan's stability has a great bearing on the stability of southwest China.

Presently, when a small handful of people in the world are doing their utmost to cause trouble in Tibet and advocating "Tibet's independence," Sichuan must augment nationality solidarity and do a good job of economic work wholeheartedly. Yang Rudai said that to "stabilize the Tibetan areas" first it is necessary to earnestly implement the party's policy on religion in a comprehensive way; second, it is necessary to develop nationality economy; and third, it is necessary to augment ideological education, oppose separation, and safeguard China's unity. [passage omitted]

Sichuan Issues Circular on Housing Reform

HK1107065691 Chengdu Sichuan People's Radio Network in Mandarin 0915 GMT 10 Jul 91

[Text] Urban housing system reform in our province has started this year. The provincial government has recently issued a circular on continuing urban housing reform in a positive and reliable manner. The circular points out: Housing system reform is an important component part of economic structural reform. In the course of carrying out reform, we should conscientiously change the previous situation of the state monopolizing everything such as funds and expenses. The issue of funds, expenses, and others should be jointly handled by the state, collectives and individuals. Efforts should be made to give full play to the role of various quarters. Through urban housing reform [words indistinct], housing problemexchanges, distribution and consumption of houses should be brought onto the track of a planned commodity economy [words indistinct]. This will enable workers, staff members, and residents in cities and towns in our province to reach the standard of 8 square meters of housing area per capita by the end of this century. At that time, each and every family will have a comfortable dwelling house. The provincial government urges that we first rationally readjust the standards of house rents in industrial sectors. In 1991, all cities and towns in our province should do well in a unified manner, the work of readjusting public housing rent standards. In the meantime, active measures should be taken to sell public housing to workers and staff members at favorable prices. Efforts should be made to raise funds and build houses in various ways, and promote the work of building houses on a cooperative basis.

The circular also calls on experimental cities and counties in the province involved in housing reform, to anticipate the work of housing reform of the whole province, explore ways, and gain experience of housing reform throughout the province.

Tibet Leadership Marks Party Anniversary

OW1007212691 Lhasa Tibet Television Network in Mandarin 1200 GMT 7 Jul 91

[From the "Tibet News" program]

[Text] The regional meeting to mark the 70th founding anniversary of the CPC, and the ceremony to commend advanced grass-roots party organizations and outstanding Communist Party members and party workers took place in Lhasa on the afternoon of 30 June.

Party, government, and military leaders in Tibet, including Raidi, Gyaincain Norbu, Ba Sang, Mao Rubai, Jiang Hongquan, Ma Lisheng, Zi Cheng, Chen Hanchang, Feng Jun, Cao Xu, Budoje, Hu Songjie, Puqun-glab Pingcuo, Zheng Ying, Jinmzhong Gyaincain Puncog, Wang Hailin, and Wang Qiongliang were present at the meeting. Pagbalha Geleg Namgyai, vice chairman of

the National Committee of the Chinese People's Political Consultative Conference, attended the meeting as a guest. [video shows close-ups of these Tibetan leaders when their names are announced]

The meeting was chaired by Gyaincain Norbu, chairman of Tibet. Amid thunderous applause, the leaders presented certificates, banners, and awards to 43 advanced grass-roots party organizations, 206 outstanding Communist Party members, and 64 outstanding party workers. [video shows medium close-ups of some Tibetan leaders presenting brocade banners to award winners]

Qun Pei, secretary of the Xigaze Municipal Party Committee, read a proposal to all grass-roots party organizations, Communist Party members, and party workers in Tibet. The proposal says: To ensure Tibet's long-lasting peace, prosperity and progress, Communist Party members should, under all circumstances, be able to withstand all tests of political storms and take an active leadership in Tibet's material and spiritual construction. They should always bear in mind the party's fundamental objectives, continue to build stronger grass-roots party organizations and contingents of party members and party workers, heighten their morale, be determined to build Tibet into a better place, work hard in unity, create the first-rate success on their respective posts, and make new contributions to the cause of building a united, affluent, and civilized socialist Tibet.

Then, Raidi, deputy secretary of the Tibet Regional Party Committee, gave a report entitled: Commemorate the 70th Founding Anniversary of the CPC and Build a Stronger Party. [video shows torso shots of Raidi, in Western-style business suit, reading from prepared notes, and medium close-ups of attentive attendees]

Raidi said: Advanced grass-roots party organizations and outstanding party members and party workers have made outstanding contributions to the party cause, happiness of people of all nationalities in Tibet, and Tibet's social stability and economic prosperity. All party organizations and all party members should learn from them so that our party organizations can become more militant and our party members can give full scope to their vanguard and exemplary roles and accomplish all party assignments satisfactorily.

Comrade Raidi stressed: While the CPC marks its 70th founding anniversary this year, we must be aware of our enormous achievements and confront the problems ahead of us. Today, hostile forces abroad have intensified their schemes of promoting peaceful evolution in socialist countries, and separatists inside and outside Tibet are still running wild with their conspiracies. In an environment of reform and openness, decadent capitalist ideologies and living styles will also find their way into our party and corrupt it, and thus all our party organizations and members must remain sober-minded. We must build our party into a stronger party because this is crucial to whether Tibet can achieve its second economic development strategy, attain the objectives

and accomplish the assignments put forward by the Fourth Tibet Regional Party Congress, smash the schemes of hostile forces to stage a peaceful evolution and split our motherland, and maintain Tibet's long-lasting peace and stability. To build a stronger party, ideological construction is the most important imperative. This means that our party members must be party members ideologically, that we must attach great importance to building stronger grass-roots party organizations, that we must make sure that our party's leadership in all areas is wielded by those who are loyal to Marxism, and that we must make unremitting efforts to improve the conduct and work ethics of party members.

Comrade Raidi concluded: We can see from past events that our party has achieved enormous, world-acknowledged achievements in its 70-year brilliant course. Looking to the future, we are fully confident in the socialist cause led by the party. Now, under the leadership of the CPC Central Committee with Comrade Jiang Zemin as the core, let us unite, press forward, and win new victories in building a united, affluent, and civilized socialist new Tibet.

Yunnan's Pu Chaozhu at Ceremony for Mao Works

HK0907060291 Kunming Yunnan People's Radio
Network in Mandarin 1000 GMT 1 Jul 91

[Text] The new edition of *Selected Works of Mao Zedong* (Vol 1-4) is distributed by Xinhua Bookstore in various parts of the whole province as of today.

Kunming city Xinhua Bookstore held a ceremony yesterday. Pu Chaozhu, provincial party secretary, (Wang Guangxian), member of the provincial CPC Committee Standing Committee and secretary of Kunming City CPC Committee, and responsible persons of other relevant departments attended the ceremony.

The first edition of *Selected Works of Mao Zedong* (Vol 1-4) was published in the 1950's to 1960's. It has now been 30 to 40 years since its first publication. It was Comrade Mao Zedong's last wish to revise and republish his works. The revised *Selected Works of Mao Zedong* (Vol 1-4) has preserved the original features, essence, and quality of the works. Necessary revision and supplement have been made in accordance with historical facts and the new achievements in research work. Therefore, in some aspects, the new edition is more perfect and accurate than the first edition. It will be more helpful for people to study and comprehend Mao Zedong Thought in an all-round, accurate, and comprehensive manner.

Article Outlines Yunnan Antinarcotics Drive

HK1007130991 Beijing RENMIN GONGAN BAO
in Chinese 21 Jun 91 p 4

[By Zhang Xujin (1728 4958 6651) and Ma Yongmei (7456 3057 2734): "Antinarcotics Drive in Yunnan"]

[Text] 1.

Situated in the southwestern frontier of the motherland, Yunnan has always fascinated people with its enchanting tropical sceneries, mysterious flora and fauna, and colorful ethnic features. However, the influence of international drugs proliferation and the unique natural and historical conditions of Yunnan have in recent years brought a poisonous flow more serious than in any other provinces in the country to this extremely beautiful and enigmatic land.

Yunnan Province shares a 4,060 km long frontier line with Burma, Laos, and Vietnam. Some 100 km south of the southernmost tip of Yunnan is the place where the three countries of Burma, Laos, and Thailand meet. In recent years, the traditional drug-trafficking center of the "golden triangle" has gradually moved north. On the Burmese side of the Sino-Burmese frontier alone are some 30 drug processing plants which are only a kilometer away from the national frontier line.

To the inland people who have never been to the border regions, the national frontier line will be thought of as a heavily-fortified and unsurmountable barrier. But in Yunnan, many of the frontier lines are in fact just a small creek or a strip of farmland. The frontier people of the two countries have always intermarried with one another, visited each other, and traded with each other. There was no need for registration when "coming in" and "leaving" the country. There was no restriction at all. Some drug traffickers outside the territory took advantage of this to infiltrate our country flagrantly with drugs, reviving the habits of drug abuse and drug trafficking which had basically disappeared in our country in the 1950's.

The evil of drugs spreads rapidly like a plague from outside the territory to inside the territory and from Yunnan to the rest of the country.

In the Dehong Tai-nationality and Jingpo-nationality autonomous prefecture, one-eighth of the prefecture's population of 870,000 are addicted to drugs. Drug addicts are also found in almost all of the 204 natural villages in Ruili County, an increase of 26 times in the past two years.

In Baoshan City, there is a family of eight belonging to three generations. The four children grew up watching their grandparents and parents take drugs and, out of curiosity, they started to do the same and gradually became addicted. All the valuables in the houses had to be sold in order to buy drugs. Eventually, the parents resorted to theft and were sent to reeducation-through-labor centers while the children were placed in a drug rehabilitation center.

The evils of drugs on the young generation are particularly serious. Of the 2,400 drug addicts registered with the public security bureau of Dali City, 96 percent of them were from the age of 14 to 30. Some of the children even found opium insufficient and switched to inhaling and injecting heroin. Today, the only hope that many parents have on their children is that they do not become

addicted to drugs. In the city of Kaiyuan, the parents of 139 young drug addicts wrote a joint letter to the central leading comrades narrating the pains brought to their families by drug-related crimes and strongly demanded the serious punishment of such crimes and the severance of the supply of drugs.

In November 1990, the tragic sufferings of a young girl provoked strong reactions from Kunming to the entire province of Yunnan after the uncovering of a drug-trafficking case. Gan Wenqing was two years and seven months old. Her father was sentenced to reeducation through labor for committing theft, while her mother, a drug addict who rushed about all day in search of drugs, put her in the care of a "drug addict" named Zhou. Zhou then turned the child over to three drug traffickers as mortgage for his drug debt of 200 yuan. For nearly two months, the three drug traffickers used Gan Wenqing as a drug trafficking tool and also inflicted on her the most unspeakable abuses. When public security cadres and police rescued the girl, her left arm was broken, her perineum swollen, and her body beaten all over, and she was on the brink of death.

Drugs are vicious like beasts. They not only suck away wealth, but also numb the soul of man. Drug-related criminal cases such as theft, robbery, murder, and prostitution have increased, while human tragedies like broken families, the selling of children, and bankruptcies are repeated endlessly. They pose a serious threat to social security.

II.

In recent years, drug traffickers outside the territory have taken advantage of our country's opening up to the outside world to collude with unlawful elements within the territory. They shifted their target to our country and sought to draw a new route coursing through Yunnan, Guangxi, Guangdong, and then to Hong Kong, Europe, and the United States. This places the public security organs of Yunnan Province at the very forefront of the antinarcotics struggle. Indeed, the task against drug smuggling and drug trafficking is extremely difficult.

In 1982, the public security bureau of Yunnan Province became the first to set up a special division in charge of drug enforcement in the country. Powerful drug enforcement teams were subsequently created all over the province. Guided by the public security organs at all levels, relying on grass-roots organizations, and in coordination with frontier defense, security, and reconnaissance departments, they tried to curb the flow along the first line of the frontier and along the communications lines. By integrating open and undercover investigations, they went after drug smugglers and drug traffickers.

Driven by huge potential profits, drug traffickers have adopted increasingly craftier and more clandestine methods to smuggle drugs in a bid to escape the crack-down. Some are hidden in food like pastries and canned goods, or inside tires and the compartments of large

containers, or even swallowed or inserted in the reproductive organs...the drug enforcement agents and frontier guards have relied on their own experience and wits to apprehend a large number of drug traffickers and seize huge amount of narcotics.

With the rise in the number of cross-border and armed drug-trafficking cases, these have become the focus of the antinarcotics drive by the public security organs which have exerted even greater efforts and paid even bigger price. The drug enforcement agents would often follow the drug traffickers for several miles without food and sleep in order to apprehend both the offenders and confiscate the goods. Sometimes they have to risk their lives by infiltrating the drug-trafficking syndicates. The slogan they raised is as follows: Try to the greatest extent to break the case within the county, the prefecture, and the province in order to limit its proliferation to the rest of the country.

In February 1990, Yunnan Province's public security organs worked actively with their counterparts in the three provinces of Sichuan, Gansu, and Guangdong; and under the unified deployment and direction of the criminal investigation department of the Ministry of Public Security, they jointly uncovered the biggest cross-border drug-trafficking case since the birth of the PRC and arrested 51 drug traffickers from both inside and outside the territory. Some 221 kg of heroin as well as large amount of drug money and drug-trafficking tools were confiscated.

In April, June, and November of the same year, the public security department of Yunnan Province's Dehong Tai-nationality and Jingpo-nationality autonomous prefecture, in coordination with its counterparts from within and outside the province, uncovered successively three major international drug-trafficking cases, seizing a total of 96.5 kg of heroin, 1.42 million yuan in drug money, and 27 drug traffickers.

According to an official in charge of the drug enforcement work at the public security bureau of Yunnan Province, not only did the province boost the quantity and quality of drug-related cases that it had uncovered last year, but it also achieved visible progress in its participation in international antinarcotics efforts.

In August and September of 1990, the Ministry of Public Security and the public security organs of Yunnan Province formed a Chinese public security and drug enforcement delegation which visited Burma and Thailand. In November of the same year, the delegation again visited Burma where a broad consensus on the question of bilateral antinarcotics effort was reached. At the same time, the public security organs in Dehong, Lincang, and other places in Yunnan Province also forged a preliminary cooperative link with the police along the Burmese border in order to crack down on drug-related crimes.

All these measures dealt a big blow to the drug lords long entrenched in northern Burma and they were forced to take a stand against drugs.

III.

Since the revival of drug abuse was discovered in 1982, the Yunnan Provincial Party Committee and Provincial Government have put the antinarcotics issue in a proper place. In 1986, Yunnan Province set up an antinarcotics leading group headed by a vice governor and participated by the public security, procuratorate, justice, customs, civil affairs, and finance departments. Similar organs have also been established in localities, prefectures, and counties around the province. Under the unified leadership of party committees and governments at all levels, all trades and sectors as well as all departments and networks have adopted a series of antinarcotics measures and vigorously mobilized and educated the people of all nationalities to recognize the dangers of drugs and to wage a resolute struggle against drug trafficking and drug abuse.

At present, a number of year-round drug rehabilitation centers have been set up in Yunnan Province, while hundreds of drug rehabilitation classes have been conducted by units in towns and villages, neighborhoods, industrial and mining concerns. A fairly good number of drug addicts have basically rid themselves of their habits following repeated education and comprehensive physiological and psychological treatment.

In line with the principle of integrating force with voluntary will, various localities have divided drug addicts into four categories and applied different methods to carry out treatment. First timers whose families offer the conditions for them to get rid of their habits carry out their drug rehabilitation programs for a limited period at home; drug addicts who do not have the conditions to kick the habit by themselves join group programs in drug rehabilitation classes run by towns, villages, and neighborhoods; year-round drug rehabilitation centers created in counties and cities deal mainly with people who have been drug addicts for a long time or who have other diseases; those who returned to the habit repeatedly and who made no visible progress after entering drug rehabilitation centers several times are sent to reeducation-through-labor programs.

While the Dehong Tai-nationality and Jingpo-nationality autonomous prefecture is the principal avenue for major drug trafficking activities by international drug traffickers outside the territory, sporadic drug trafficking and drug abuse are also prominent problems. The Dehong Tai-nationality and Jingpo-nationality autonomous prefecture's party committee proposed in February last year to resolve the drugs problems fundamentally in five years' time. Several thousand cadres from prefecture, county, and village levels were assigned to "work teams on building of dual civilizations" last year and this year. They went to the different villages where, using broadcasts, video films, bulletin boards, and printed propaganda materials, they informed the people of all nationalities about the harms caused by narcotics to the individuals, the state, and the

nationalities. They also spoke on the necessity to prohibit and cure drug abuse, and introduced health and disease prevention knowledge in an effort to educate the people. Many of the drug-trafficking cases uncovered by the public security organs of this prefectures were accomplished with the help of information provided by the people or in coordination with them.

Meanwhile, Ruili County has carried out an antinarcotics drive at three levels in recent years and has set up drug rehabilitation centers and classes in the counties, towns, and villages. The Ruili drug rehabilitation center is managed by experienced cadres and police selected by the public security bureau. The management personnel have been able to master fairly well the psychological, physiological, and behavioral traits of drug addicts at various stages of their rehabilitation program, and have applied the appropriate treatment for them. The center has even established a production base made up of an orchard, fishpond, and pigsty. After more than 10 days of withdrawal symptoms, the drug addicts can consolidate the gains from their drug rehabilitation efforts by taking part in outdoor labor.

Because many of the drug addicts today either inhale or inject heroin, it is very difficult to achieve visible results if the method of curing opium addiction is used on them. Zhou Yingkun, a village doctor in Lianghe County, injected a winter hibernation fluid onto a patient craving drugs and the results were remarkable a few days later. Dehong Prefecture's "drug rehabilitation center" remodeled this doctor's "indigenous method" to make it a "rapid remedy" which integrated Chinese and Western medicine. This was applied to four drug addicts of different conditions for 10 days. Three of them showed remarkable progress, with two of them curing themselves thoroughly of drug addiction.

In Wanting City, the city party committee and city government proposed to build it into a "drug-free city." Even as it stepped up the drive against drug trafficking and drug abuse, it also hoisted a drug-free banner—Mangling Village of Manbang Town. Separated from Burma's Manjie by a strip of water, this village was flooded with Burmese refugees bringing in drugs in 1987. Village regulations and civilian decrees were issued promptly by the village. For years, Mangling Village has retained the enviable reputation of a "six-nos village"—no fights, no robberies, no gambling, no prostitution, and no watching of pornographic video films. In 1990, the per capita income in this village was 1,550 yuan.

In the village of Mangjie in Menglian County of Simao Prefecture, not only are there strict drug rehabilitation and punitive measures against drug addicts, but the village's militia, party and Communist Youth League members, as well as security defense associations are organized to conduct patrols and curb the supply of drugs. They relied on science to promote production and raised some 1,500 yuan to build a village health care center where four village doctors were trained. In case of headaches or fevers, the villagers could go to the health

care center for treatment or medication and need no longer rely on drugs to cure their illnesses.

The year 1990 marked the 150 anniversary of the Opium War as well as the third anniversary of the declaration of the International Day Against Drug Abuse and Illicit Trafficking. That year also saw a vigorous campaign against drug taking at high noon. On 26 June, party, state, and military leaders from the province and the city joined people from all circles in an unprecedented antinarcotics rally in the capital of Yunnan, Kunming. Fourteen serious drug traffickers were sentenced to death, while 1,000 kg of drugs were destroyed on the spot. That same day, similar antinarcotics sentencing rally were held in six localities and prefectures with fairly serious drugs problems: Dehong, Baoshan, Linchang, Simao, and others. A great amount of drugs were destroyed and a number of drug traffickers sentenced to death.

On this day, the popular anti-drugs struggle in Yunnan was propelled to a new height. It was also announced to the world on this day that the Chinese Government places a high premium on the antinarcotics efforts and that no stone will be left unturned in dealing a heavy blow to drug-related crimes at all times!

IV.

The waging of the antinarcotics struggle will not resolve the problem in a day or two. The existence of an international market for drugs and the presence of a drug supply just across the border have determined that our struggle against drug-related crimes will be protracted, difficult, and complicated. While Yunnan Province has achieved certain accomplishments in the battle against drug trafficking and in popular drug rehabilitation efforts, the obstacles remain overwhelming, and there is need for further studies and improvements in many areas in order to raise the level of the struggle endlessly.

The biggest headache of the frontline drug enforcement agents is that the prevailing regulations on the handling of drug-trafficking cases do not meet the demands of the actual battles. The trial of big and important drug-trafficking cases moves at a slow pace. Because the existing laws classify drug-related crimes under the category of economic crimes, approval for death sentences has to be obtained from the Supreme People's Court. Consequently, the sentencing of several convicted criminals could not be carried out for a long time, with some having to wait for one or two years before approval came. Thus, it was difficult to achieve the goal of dealing swiftly and severely with drug-related crimes according to the law.

The "Decision Against Drug Abuse" adopted by the Standing Committee of the National People's Congress on 28 December last year spelled out strict punishment for drug-related crimes: Those convicted of smuggling, sale, transport, and manufacture of more than 1,000 kg of opium and more than 50 kg of heroin are liable to 15 years in prison, life imprisonment, or the death sentence. After the promulgation of the decision, some drug smugglers and

traffickers grew bolder as they staked everything on a single throw. As a result, the number of drug smuggling attempts went up while the incidence of armed confrontations also rose. On the other hand, sporadic drug-trafficking cases also gained prominence. Corresponding measures should be taken to deal with these.

In the struggle against international drug-trafficking syndicates, drug traffickers often rely on sophisticated weapons and communications equipments in fighting our public security agents. Our existing weaponry, communications and transportation facilities are far from adequate in meeting the challenge. The police force is also insufficient, while the professional competence of the drug enforcement agents needs to be upgraded. In the past few years, our government has invited experts from France, the United States, and Thailand to conduct drug enforcement training classes in China. At the same time, it has sent drug enforcement officials to study abroad. But such opportunities are rarely made available to the great majority of grass-roots drug enforcement agents who have to rely on work experience to boost their skills.

The biggest problem in drug rehabilitation is the low consolidation rate and high re-addiction rate. Because of the difficulty in cutting off the supply of drugs and the drug addict's own weak resolve, he is likely to become re-addicted the minute he walks out of the drug rehabilitation center and is confronted by drugs again. The practice of sending drug addicts who have failed repeatedly to kick their habits to reeducation through labor have not yielded satisfactory results. Some units have also provided that all drug addicts will be dismissed from their jobs, while some drug rehabilitation centers refuse to take in drug addicts with venereal diseases. All these do not contribute to an effective drug rehabilitation work among the people.

The burden is heavy and the road is long. The final victory in the battle against drug abuse will still take some time to come. But no matter what, the Chinese Government and the people of all nationalities will not allow drugs to proliferate once more in socialist China!

Northeast Region

Jilin's He Zhukang on Administrative Honesty

SK1007142291 Changchun JILIN RIBAO in Chinese
31 May 91 pp 1, 2

[Speech by He Zhukang, secretary of the Jilin Provincial CPC Committee, at provincial work conference on strengthening contingents of personnel and correcting unhealthy trends in some trades and the provincial discipline inspection conference on 27 May: "Focusing on Central Task of Economic Construction, Strive To Improve Party Style and Raise Level of Administrative Honesty"]

[Text] Comrades:

The provincial work conference on strengthening contingents of personnel and correcting unhealthy trends in some trades will conclude soon and the provincial discipline inspection conference has opened today. Comrade Qinglin [Du Qinglin] spoke yesterday to summarize and arrange the work for various trades and departments to correct their work styles. Everyone should conscientiously implement the guidelines after returning to their work units. The provincial discipline inspection conference will relay the guidelines of the national discipline inspection conference and study and arrange the next step of work. Comrade Deming will also speak at the conference. The purpose of our holding these two conferences is to further unify the thinking and understanding of all quarters and study ways to improve party style and raise the level in administrative honesty, with the focus on the central task of economic construction. When party style is improved and the level of administrative honesty is raised, the smooth progress of the Eighth Five-Year Plan and the 10-year program will be guaranteed and the province's economic development will be facilitated.

I will now speak on three opinions.

1. We should fully understand the great significance in attaining the second-step strategic objective and firmly embrace the guiding thought of serving economic construction.

The proposals of the party Central Committee on the drawing-up of the 10-year program and Eighth Five-Year Plan for national economic and social development, which were discussed and approved at the seventh plenary session of the 13th party Central Committee, put forward the basic tasks of the national economic and social development for the next 10 years and the Eighth Five-Year Plan period and the guiding thoughts and policy measures for the fulfillment of these tasks after profoundly summarizing China's achievements and experiences in construction and reform in the past decade and more and scientifically analyzing the international and domestic situation. The proposals constituted a program of action to attain the second-step strategic objective and indicated that China's socialist modernization entered a new stage of development.

In this new stage of development, economic construction is the central task of the entire party. This is decided by the situation and the tasks we encounter. Our country is currently in a very crucial historical period. Comrade Jiang Zemin also pointed out recently that we were in an important historical period during which the new century was replacing the old and that what we faced was a world full of contradictions and intense competition. Whoever lags behind will become passive and vulnerable to attack. At present, the international situation has experienced a rapid change and socialism is facing severe difficulties and challenges. Judging from the domestic situation, on the one hand, the national economy has developed rapidly since reform and opening up started, the national strength has been enhanced and the people's living standard greatly improved. On the other hand,

people's demands become increasingly higher, their ideas and concepts, especially those of young and middle-aged people, have experienced great changes and traditional ideological and political education alone cannot enable them to understand the superiority of the socialist system. The changed situation all the more reminds us that the contest between socialism and capitalism will be a contest of the economy and then politics instead of the past contest of politics alone and that the overall national strength will play a decisive role in the contest. Ours is still a developing and rather poor socialist country of which the level in the development of productive forces is not high and economic construction still faces many difficulties. This requires that we speed up economic construction and make the entire party and all the people work in unity to ensure that the second-step strategic objective is attained. We may say that whether we can successfully implement the Eighth Five-Year Plan and the 10-year development program and attain the second-step strategic objective is an important matter deciding not only whether the achievements in the 10-year reform and opening up can be consolidated and developed, people's living standard can be raised from merely having sufficient food and clothes to being comparatively prosperous and our country can be ranked among the medium developed countries by the middle of the next century, but also whether it is the socialist system or the capitalist system that will succeed. We should understand the necessity and urgency of economic construction from this perspective.

Judging from the provincial situation, economic construction and other undertakings have greatly developed since reform and opening up started, which has laid a solid foundation for future development. However, the current economic development level is still not high and a great change has yet to be effected in the province's situation as a small province in industrial production and a poor province in finance. In particular, our difficulties in the industrial economy remain many and our finance is still very tight at present. To change such a situation and rejuvenate Jilin, the basic way is to emancipate our minds, persist in reform and opening up, rely on scientific and technological progress, carry forward the fine tradition of plain living and arduous struggle, and make the people throughout the province work in unity and concentrate efforts on economic construction. During the Eighth Five-Year Plan period and the next 10 years, our province's agriculture should be developed comprehensively and brought up to a new level; the technical transformation of the existing industrial enterprises should be completed, a number of key projects should be started with resolute efforts, medium-sized and small enterprises and township enterprises should be actively developed and great efforts should be made to strengthen scientific management, adjust the economic structure, and improve economic efficiency; and fairly great development and progress should be made in various social undertakings. Our goals are very grand and encouraging. To realize the goals, however, the entire party is required to further unify its thinking, uplift its spirit, and carry out economic work with all-out efforts.

Therefore, judging either from the perspective of the rise and decline of the state or from the rejuvenation and development of our country, we should concentrate efforts to promote the economy and ensure the comprehensive accomplishment of the targets of the Eighth Five-Year Plan and the 10-year program. We have no way out and no choice except for this.

To attain the second-step strategic objective is a task of primary importance to us and also the center of the work for the entire party. Firmly making our work subject to and serve this center should become the guiding thought for all our work and the basic starting and ending points in the endeavor of the leading comrades at all levels and of all departments to consider issues and guide work. Discipline inspection work and the work to maintain administrative honesty should also follow this guiding thought persistently. We should enhance our understanding of this guiding thought from the perspective of the objective law of gearing the socialist superstructure to the needs of economic foundation and should raise our awareness in implementing the guiding thought. It is our party's consistent principle to subject the part to the whole. The work of the whole needs the coordination and support of the work of departments, which in turn can be developed only when it serves the whole. Without a concept of respect for the whole situation, it is impossible for us to channel our work to the track of serving the center and carry it out in coordination with the center. This will affect not only the interests of the whole but also the work of departments. We should not merely pay lip service to the endeavor to serve economic construction and the accomplishment of the second-step strategic objective and regard it only as a concept. Instead, we should make it manifest in all our specific work through down-to-earth acts. Law and discipline enforcement departments and supervision departments should have the ability to accurately find their positions in the whole situation, embody their functions in the process of service, successfully perform their work in the process of coordination with the central task, fulfill their responsibilities, and make contributions. To achieve this, law- and discipline-enforcement departments and departments charged with administrative honesty also face a task of emancipating the mind. Judging either from our observation activities in eight provinces and municipalities or from the current actual situation of the province, further emancipation of the mind remains the key link in our efforts to deepen reform, develop the commodity economy, and promote the socialist modernization drive. Only when all the people emancipate their minds concerning the development of socialist commodity economy can they reach a common understanding of the whole situation and make service embodied in their specific work. Of course, law and discipline enforcement departments and departments charged with administrative honesty have their own special features and specifically how they should emancipate the mind is different from economic work departments. However, the basic requirements are the same and they should all proceed from the actual conditions.

consider issues from the angle of serving economic construction, and work in a creative manner. This does not mean that we can discard the legal system, supervision, and control. Instead, we mean that when studying and handling issues, our guiding thoughts should be clearer, ideas and field of vision broadened, and ways of thinking and work more compatible with the development of the situation and the objective reality. During our observation activities in Guizhou, some comrades in Guizhou said that their departments were most satisfied with the work of their provincial discipline inspection commission. They did not mean that the commission did not investigate cases. They meant that the commission attached importance to practice because it emphasized work methods, paid attention to link effects with motives, and had the ability to judge problems by relating them to other problems and by judging how they had developed and refrained from making conclusions when judgments could not be made accurately for the time being. This showed that the work of law and discipline enforcement departments can be linked very well to the work of economic departments. We should conduct explorations and summarize our work continuously in the process of practice and not only perform our own work successfully and safeguard the sanctity of law and discipline but also facilitate the development of the commodity economy. At present, we should particularly overcome the phenomenon of dissociating cases from economic work when they are handled. Investigating and handling cases are the means and not the purpose. Through investigating and handling cases, we should not only help the units where cases are committed summarize experiences and lessons but also have the ability to draw inferences about other cases, summarize a general law, do a good job in establishing rules and systems to stem loopholes, turn negative factors into positive ones and then promote economic development. The work to handle cases is itself a kind of service but we should not confine our service to handling cases. As far as discipline inspection departments are concerned, their performance of the four basic functions of protection, punishment, education and supervision should embody their service to economic construction. Whether we can adhere to the guiding thought of serving economic construction in the process of improving party style and raising the level in administrative honesty is not only a question concerning ideological understanding or work method but a question concerning our basic attitude and basic stand. Our leading comrades at all levels should thoroughly understand the guidelines of the seventh plenary session of the party Central Committee, conscientiously study the party's principles and policies, enhance their sense of service and continuously broaden the ideas and channels, and improve the quality of service in the process of service so that the endeavor to improve party style and raise the level in administrative honesty can fully ensure and promote economic work.

2. We should take the initiative in adhering to the guiding principle of "attending to two fields of work" from the perspective of implementing the party's basic line.

Discipline inspection work and the work to raise the level in administrative honesty involve a multitude of tasks but the most important one is to successfully implement the party's basic line. Taking economic construction as the central task, adhering to the four cardinal principles, and adhering to the party's basic line with reform and opening up as the key content constitute the general principle and general policy that have been established by our party after scientifically summarizing the more than 30 years of historical experiences of New China, especially the practical experiences after the third plenary session of the 11th party Central Committee, and that should be followed in our party's efforts to build socialism with Chinese characteristics in the initial stage of socialism. Whether we can profoundly understand and have a good command of the major rich content and key essence of this basic line and whether we can comprehensively implement this basic line in the process of practice are very important matters deciding whether our socialist construction can develop smoothly.

To comprehensively implement the party's basic line, we should persistently adhere to the principle of "attending to two fields of work." After the third plenary session of the 11th party Central committee, the party Central Committee, Comrade Xiaoping and other leading comrades put forward some important ideas, such as attending to the two civilizations simultaneously, attending to economic construction on the one hand and attending to the endeavor to deal strict blows to serious economic crimes on the other hand, and attending to the endeavor to make the economy flourish on the one hand and attending to punishment of corruption on the other hand, which have dominated the party's series of principles and policies and the theory and practice of building socialism with Chinese characteristics. In the proposals on the 10-year development program and the Eighth Five-Year Plan discussed and approved at the Seventh Plenary Session of the 13th party Central Committee, the principle of unswervingly attending to the building of the material civilization and the spiritual civilization simultaneously is put forward once again to the entire party and the people throughout the country as an important guiding principle for the national economic and social development for the next 10 years. We should conscientiously carry it out when performing our work. Socialism is a social formation superior to capitalism. Ultimately, it is the highly developed social productive forces created by socialism that decides the victory of socialism over capitalism. If we do not attend to the building of the socialist material civilization, nor greatly develop social productive forces, not only will it be difficult to develop the superiority of the socialist system but also the material foundation for the socialist system will lose. Building a high degree of socialist spiritual civilization is an important goal and also an important guarantee for promoting the material civilization. Without building the spiritual civilization, it will be difficult to enhance people's faith in plunging themselves into reform and the modernization drive, national unity will be demolished and the building of the material

civilization will be deprived of the driving force for development and will deviate from the socialist orientation. Just as Comrade Xiaoping said: What will be the meaning of economic success if social conduct is deteriorating? The deterioration of social conduct will cause economic deterioration and, when this develops, a world where embezzlement, theft, and bribery run rampant will take shape. This is fully proven by the political storm that happened in our country the year before last.

The practice in reform and opening up proves that persistently "attending to two fields of work" is the basic way to properly handle the relationship between politics and the economy, overcome buck-passing, achieve coordinated development in the material civilization and the spiritual civilization, make the economy flourish, and punish corruption. The movement of the contradiction of unity of opposites—politics and the economy, the material civilization and the spiritual civilization, and the superstructure and economic foundation—lasted in the entire history of socialism. As far as the party's leading cadres at all levels are concerned, they face a question of how to properly handle the relationship of the opposites, have a good command of the law governing the movement and gain initiative in their work. When the relationship is not properly handled, one tendency will conceal another and there will be the problem of "being strong in one field and weak in the other." We have had many experiences and lessons in this regard. For many years, comrades in charge of economic work have become liable to neglecting ideological and political work and have considered the economy as it stands. Some comrades engaged in ideological and political work and the supervision over law and discipline enforcement have become liable to lacking sufficient attention to economic construction and lacking voluntary participation and service. Fundamentally speaking, these problems reflect a lack of correct understanding of the dialectical relationship between the spiritual civilization and the material civilization, a lack of comprehensive understanding of the party's basic line consisting of one central task and two basic points and the emphasis on one field to the neglect of the other. If these problems are not solved successfully in terms of ideological understanding and practice, both fields of work will be affected and the party's basic line will not be implemented comprehensively. This is the case with the overall situation as well as the partial work. As far as enterprises are concerned, all those which truly achieve success have persistently attended to the two civilizations simultaneously, not only attaching importance to and having the ability for handling the material factors for production and management but also attaching importance to and having the ability for carrying out ideological and political work and boosting the enthusiasm of the people. The reasons why some enterprises have done a poor job are numerous. Some of the reasons are economic ones and others are mainly bureaucracy, which leads to chaotic management and serious waste and losses, and dishonesty of cadres, which leads

to abuse of power for selfish gains and dampened enthusiasm of the masses. At present, many localities are launching a pilot project stressing enterprises' honesty in management. This is very necessary and significant and is a requirement of the socialist nature of the enterprises. Under the current circumstances, we should, of course, proceed from reality in setting demands on enterprises' honesty in management. We should distinguish the acts of individuals from the acts of enterprises, setting strict restrictions on the former and conducting specific analysis of specific problems concerning the latter. If every locality has a number of honest and flexibly managed enterprises with high economic efficiency, the economic quality as a whole will be improved and the second-step strategic objective will be attained. It is hoped that every level will strengthen guidance to this project and summarize and popularize good experiences.

Persistently "attending to two fields of work" is a basic responsibility of leading persons. When judging whether a leading cadre is competent and how his leadership art and leadership level are, a very important criterion is to see whether he has high awareness in "attending to two fields of work" and how he coordinates the work to punish corruption and advocate honesty with the work to make the economy flourish. As far as cadres are concerned, "attending to two fields of work" reflects the unity of their political integrity and diligent performance of work. When judging the performance of leading cadres, we should see not only how the departments under their charge carry out their professional work and whether these departments achieve high economic efficiency but also whether the work under their charge proceeds along a correct orientation and whether they make down-to-earth efforts to improve party style and raise the level in administrative honesty. We should regard this as an important criterion for evaluating and appointing cadres.

3. We should bear firmly in mind the basic viewpoint of historical materialism and unswervingly implement the party's mass line.

The mass viewpoint is the basic viewpoint of historical materialism. The masses are the major force to understand and transform the world, the basic force to promote historical development, the foundation for socialist undertakings and the foundation for the success of our work. Our party's mass line of "doing everything for the masses, relying on the masses in doing everything, coming from the masses and going to the masses" was established on the basis of this basic viewpoint. The mass line is the basic work line for realizing the party's ideological, political and organizational lines. It epitomizes our party's basic aim to serve the people wholeheartedly and is the magic weapon for us to conquer difficulties and achieve success in doing everything. In our efforts to carry out the Eighth Five-Year Plan and the 10-year program and attain the second-step strategic objective, we should fully rely on the masses and arouse their enthusiasm and creativity for plunging themselves into reform and socialist modernization. To do a good

job in improving party style and raising the level in administrative honesty, the key also lies in our full trust in and reliance on the masses and let this basic work line manifest in the work to punish corruption and advocate honesty and in all other work.

Then, how should we adhere to the party's mass line in our efforts to improve party style and raise the level in administrative honesty? In my opinion, we should achieve success in the following work. First, we should proceed from reality and regard the notorious cases about which the masses are concerned as our work focuses. This requires that we take the popular feeling as the first signal, conduct in-depth investigations and study and listen attentively to the voice of the masses. Only in this way can we work out correct policy decisions in conformity with the interests of the party and the people. At present, in addition to such basic issues as whether economic construction can be promoted and whether the principle and policy of reform and opening up can be implemented continuously, what the masses are most concerned about and talk about are still the unhealthy trends of bureaucracy, subjectivism, formalism, and individualism and the corrupt phenomenon of power abuse for selfish gains that exists in the contingent of cadres with party membership. We should be determined to solve these problems. Second, we should always rely on the masses in solving problems, provide favorable conditions for the masses to participate and give a free hand to mass supervision. As the servants to the masses, the cadres of our party do not have any special individual interests except for the interests of the masses. Subjecting themselves to the strict supervision by the party and the masses is the political consciousness and spirit that our communists should have and also a manifestation of their party spirit. This conference to correct the work styles of various trades invited people's deputies, members of the Chinese People's Political Consultative Conference, representatives of the masses and personnel from press units and the media to attend. The purpose of making public our existing problems, the measures to solve them and the targets of work is to enable all quarters to understand them so that they will supervise us and help us carry out work successfully. Third, we should persistently integrate leading personnel with the masses. Leading organs and leading cadres should be the examples for lower levels. They should do first what they ask lower levels to do and never speak one thing and do another. They should not only be honest and self-disciplined but also hold their responsibility, have the courage to tackle problems, and take the initiative in solving the problems of their own departments and units. Fourth, we should take the appraisal of the masses as the basic yardstick to examine our work. When judging whether we have achieved success and actual results in improving party style and raising the level in administrative honesty, we should judge by how the masses are satisfied instead of our own feeling. This requires that we listen attentively to the opinions of the masses on a regular basis, adjust our work arrangements

in line with the opinions and demands of the masses, and improve and strengthen our work.

Since the sixth plenary session of the 13th party Central Committee, emphasizing the work to maintain the flesh-and-blood party-populace ties, we have made efforts to solve the notorious cases that the masses are concerned about by starting with doing practical work for them, scored some achievements in this, and accumulated some experience. However, we should not overestimate this work. Failing to attend to their work in a down-to-earth manner, some localities and departments still have weak links in their work. Others fail to consolidate their achievements, thus allowing some unhealthy trends to rise again. Some deep-seated problems have yet to be successfully solved and the work that the masses are dissatisfied with is still plenty. This shows that the tasks of improving party style and raising the level in administrative honesty remain arduous. At present, we should continue to promote provincewide the endeavor to improve party style and raise the level in administrative honesty, with the focus on rectifying departments and correcting the unhealthy trends in some trades. In rectifying departments, we should further mobilize the masses, find out problems accurately, and particularly correct well the various unhealthy trends and corrupt phenomena focusing on individualism. We should never be soft-hearted but should strictly deal with discipline breaches once they are discovered. We should strictly investigate and handle the departments which act in their own way and commit mistakes in the process of rectification in defiance of the regulations of discipline. Through the rectification, we should truly effect a change in the outlook of the departments, raise their work efficiency, further change the work styles of leading organs and leading cadres, and enable them to be true models of the grass-roots units and the masses. In improving the work styles of various trades, we should follow the arrangements of this conference, start with the improvement of the contingents of staff members and workers, coordinate the efforts of various regions and departments, and adopt comprehensive measures to carry out this work and do our best to effect a notable change for the better in the work styles of various trades. All localities should continue to pay attention to enterprises' honesty in management and the work to straighten out rural finance. When carrying out the aforementioned work, we should be strict, adhere to the principle of "being both resolute and persistent," pay close attention to the enforcement of party discipline, state law and administrative regulations and systems, and carry out all our work through to the end until success is achieved. This is in unity with, not contradictory to, the emancipation of the mind. We should have no misgivings as long as the guiding thoughts are clear. We should have the courage to seek truth from facts and carry out our work in a conscientious manner.

The new situation and new tasks set still higher demands on our endeavor to improve party style and raise the level in administrative honesty. Party committees at all

levels must put this endeavor in a proper place in the overall work, hold a few discussions on it every year, and conscientiously strengthen leadership over it. All leading comrades should conduct well the investigations and study concerning this endeavor in coordination with the work under their charge, give work guidance, have the courage to tackle the problems that emerge and concern themselves with major and serious cases. Party committees at all levels should support the work of discipline inspection commissions. As discipline inspection commissions are special organs for assisting party committees in improving party style, party committee's support for the work of discipline inspection commissions is, in fact, the performance of their own duty. As far as discipline inspection commissions are concerned, their assistance should not be passive. They should have the courage to undertake responsibilities, actively carry out their work, and serve as good advisers and assistants to party committees. The endeavor to improve party style and raise the level in administrative honesty is a major task of the entire party for which leading comrades of all party committees, governments, departments and units have a great responsibility. All quarters should closely coordinate and make concerted efforts to raise this endeavor to a new level and to make due contributions to bringing about a faster development in the economy of our province.

Article on Planned Jilin Housing Reforms

SK0807043691 Changchun JILIN RIBAO in Chinese
1 Jun 91 p 1

[By Li Wei (2621 0251) and Cui Ze (1508 3419): "Our Province's Plans for Housing Reform To Be Put Into Effect This Year"]

[Text] Our province's new plans for housing reform for this year are to raise the house rents and give subsidies in large and medium-sized cities and to sell public houses, raise funds for housing construction and cooperate in housing construction in small cities, counties and towns. The emphasis this year and next will be placed on solving the housing problem of the particularly difficult households. This was learned at the provincial construction work conference which concluded in Jilin City on 30 May.

Since the third plenary session of the 11th party Central Committee, our province has achieved fairly great development in urban housing construction and the per-capita living space increased from 3.04 square meters in 1978 to 5.4 square meters in 1989. However, due to the large population in urban areas of the province, housing construction has fallen short of demand, the province's per-capita living space ranks at the bottom of the country and, in particular, the problem of people living in "shabby and crowded houses" or "having no houses" remains very conspicuous. According to statistics, 46,000 families throughout the province have no houses at present and 380,000 families live in crowded houses, of which some 17,000 particularly difficult situations where families live in the houses where their per-capita

living space is less than 2 square meters. To improve the living conditions for the urban people of our province, the new plans for the housing reform will adopt the methods of raising house rents and giving subsidies. Rents for all public houses will be adjusted, the maintenance of public houses will be strengthened, public houses will be sold and the funds collected from the sales will be used for housing construction. Meanwhile, we should encourage the initiative of the state, the units, and the individuals and, beginning this year, gradually popularize the housing fund accumulation system in cities in order to open up a new channel of funds for the housing construction of units and for staff members and workers to build or buy houses themselves. New and old public houses will be distributed with reimbursement and the funds collected from this will be used in housing construction. In addition, we should advocate the practice of raising funds for housing construction and encourage cooperation in housing construction to absorb the funds of individuals and other idle funds for housing construction. In the meantime, the province will implement a series of preferential policies to facilitate the development of housing construction.

Liaoning's Yue Qifeng on Hi-Tech Development

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in Chinese 9 Jun 91 p 1

[Text] The seventh provincial work conference on the technological progress of enterprises and development of new high-technology [hi-tech] industries was held in Shenyang from 4 to 7 June.

The provincial government convened a conference to discuss, at the same time, the issues of technological progress of enterprises and the development of new hi-tech industries because the technological development progress of enterprises is closely related to the development of high-technology. Accelerating the pace of transforming the old industrial base cannot be divorced from high-technology, and transforming traditional industries with high-technology and setting up and developing new hi-tech industries is the key to rejuvenating the economy of Liaoning. Using the principle of seeking truth from facts, the conference analyzed the province's situation in conducting the technological progress of enterprises and developing new hi-tech industries, objectively summed up the achievements in promoting the technological progress of enterprises and developing new hi-tech industries and the gaps in this regard, and set forth the future work guiding ideologies and fighting objectives. Governor Yue Qifeng made a summing-up speech. Vice Governors Wen Shizhen and Lin Sheng made reports on the work in the two major aspects, such as promoting the technological progress of enterprises and developing new hi-tech industries. More than 320 people were present at the conference. They were leaders of the provincial party committee, the provincial advisory commission, the provincial People's Congress, the provincial government, and the provincial committee of the Chinese People's Political Consultative

Conference, including Zhu Jiazhen, Xu Wencai, Ge Xifan, Chen Suzhi, Cheng Jinxiang, Yue Weichun, and Zhao Qi; vice mayors of various cities in charge of special work; and responsible comrades of the provincial-level departments, commissions, offices, departments, and bureaus.

Yue Qifeng pointed out in his speech: The technological transformation of enterprises is a task of extreme urgency. Grasping the technological transformation of enterprises is a strategic priority in economic work during the Eighth Five-Year Plan period and in the next decade. We must have a full and clear understanding of this. From now on, we must fully use the favorable conditions of opening the country to the outside world; and rely on scientific and technological [S&T] progress and high-technology and concentrate efforts to conduct technological transformation among traditional enterprises. Through technological transformation, we should accelerate the readjustment of product mix, vigorously develop precision and intensive processing industries, develop finished products, increase the technological content of products and technologically added value, strengthen the competitiveness of products and export and foreign exchange-creating capacity, and change Liaoning's situation of putting the supply of raw material and the marketing of products on the markets of Liaoning, exporting larger amounts of raw materials and importing larger amounts of daily consumer goods, and putting forth great strength to make less money.

Yue Qifeng stressed in his speech that we must handle the following relations in the course of accelerating technological transformation.

We should accurately understand and handle the relationship between technological transformation and new projects. During the Eighth Five-Year Plan period, we must persist in the principle of "less new projects and more technological transformation projects" to define the ideology for guiding the economic work, to work out plans, to use funds, and adopt specific measures. At the time when conducting technological transformation contradicts developing new projects, we should give priority to arranging technological transformation projects, submit new projects to technological transformation, but must not blindly develop new projects with the focus on exporting new raw materials and primary products.

We must accurately handle the relationship between increasing input and relying on S&T. To persist in technological transformation, we should rely on S&T to expand production by taking the road of making less investment and seeing faster results. The investment in applying advanced equipment and technology must not be less than 60 percent of the total investment in technological transformation. It is necessary to avoid the tendency of blindly eliminating old equipment in the course of conducting technological transformation. We must pay attention to bringing into play high-technology's role in promoting the technological progress

of enterprises, and fully use our machinery and electronics industry's advantages to upgrade the level of being self-sufficient in equipment renewal.

We should accurately handle the relationship between input and output. The fundamental purpose of technological transformation is to gain the best product with less input. We must stress input and output benefits in conducting technological transformation. We must not pay only attention to technological transformation to the neglect of results. We must fully assess technological transformation projects one after another, but must not develop the projects without feasible study and insufficient assessment so as to avoid making blind development. We must make the best use of limited funds; strive to ensure that projects will be completed, put into operation, attain standards, and make results as soon as possible; and must not allow enterprises to manage themselves with long-term debts. In conducting technological transformation, we must persist in high starting points, high standards, and high results; develop finished products through intensive and precision processing; focus efforts on developing products with competitiveness, technologically added value, and export and foreign exchange-creating capability; and ensure to make higher economic results from technological transformation.

We should handle the relationship between tangible aspects and intangible aspects in the course of technological transformation. At the time of paying attention to tangible aspects, we must not ignore S&T development, design of products, or technological improvement. We should link technological transformation with technological development, the tackling of key technological problems, and strengthening of management so as to truly make greater achievements in technological transformation.

We should handle the relationship between technological progress and improvement of personnel quality. The individual is the most important and lively element of productive forces. Solving the aging problems of Liaoning's enterprises involves the work of upgrading the quality of persons to suit the demands of technological progress. To change the current passive situation in industrial production, we must not only accelerate technological transformation but also pay attention to upgrading the quality of persons and inspiring the people's enthusiasm. By vigorously and forcefully conducting ideological and political work, we should arouse the vast number of staff and workers' enthusiasm, correct the ideology for guiding the economic work, and avoid creating the tendency of seeing only material factors to the neglect of human ones. Cadres should go deep to the forefront of production, share weal and woe with workers, ceaselessly strengthen enterprise management, and strengthen the fundamental work of enterprises.

Yue Qifeng pointed out that the key to developing high-technology and transforming traditional industries hinges on turning high-technology into practical productive forces. We should work out preferential policies and create a relaxed environment to encourage universities and colleges and scientific research units to regularly offer information of S&T findings to enterprises and

society; and expand, in a well-organized and well-planned manner, high-technology findings and patents to enterprises, particularly town and township enterprises, and enterprises run by counties, districts, or neighborhood committees.

The development of new hi-tech industries in Liaoning must closely be linked with the technological transformation of old enterprises and the readjustment of product mix. We should develop new products highly contented with high-technology, upgrade the competitiveness of products, graft high-technology onto ordinary technology, and upgrade the overall technological level of enterprises. We should fully tap existing S&T potential and make efforts to develop the Shenyang and Dalian new hi-tech industrial development zones.

Yue Qifeng emphatically concluded: Governments at various levels should conscientiously implement the strategic principle of the provincial party committee and the provincial government on accelerating the pace of transforming old enterprises, and bring technological transformation into line with their important work agenda. Principal leaders should personally attend to technological transformation work. Particularly, leaders of the city governments, the departments in charge of economic work, and enterprises should regard it as a great matter, firmly grasp it, and ensure to make achievements in it.

Wen Shizhen, vice governor of the provincial government, summed up the province's achievements in technological progress made during the Seventh Five-Year Plan period. The province's technological progress targets increased by a big margin when comparing the Seventh Five-Year Plan period with the Sixth Five-Year Plan period. The province set records in the input to various aspects and the completed work loads in the Seventh Five-Year Plan period. The state-owned enterprises and establishments invested 37.785 billion yuan in technological transformation. In the past five years, these enterprises and establishments built 26,400 new projects. Of this, 15,600 projects were completed and put into operation. A total of 29.28 billion yuan worth of fixed assets were newly added, equal to about 25 percent of the total fixed assets of the existing industrial enterprises if calculated in terms of their original value. Through technological transformation, the province begins to embark on the road of relying on S&T to expand production. During the Seventh Five-Year Plan period, the province gained larger amounts of production capacity and benefits. This has forcefully enhanced the economic strength and the reserve strength for economic development.

In his speech, Vice Governor Lin Sheng stressed the necessity to upgrade the understanding about the importance of developing new hi-tech industries. Developing high-technology and new hi-tech industries and using high-technology to transform traditional enterprises is of key practical significance as well as of more importance to Liaoning, an old industrial base. It is a great matter

relating to Liaoning's prosperity in the 21st century. In line with foreign countries' experience in developing high-technology and the prospects for developing high-technologies, he said in perspective that Liaoning must only rely on S&T progress and pay particular attention to using high-technologies to develop new industries in order to extricate itself from the economically strained situation and to rejuvenate and revive its economy.

The conference also commended 41 enterprises with outstanding contributions in the spheres of modernizing technologies, management, and skilled persons during the Seventh Five-Year Plan period.

Liaoning Communique No. 5 on 1990 Census

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in Chinese 29 May 91 p 3

[Communique No. 5 on Major Data From the 1990 Census, issued by the Liaoning Provincial Statistical Bureau on 27 May 1991]

[Text] In accordance with Article 26 of the "Methods of the Fourth National Census," issued by the State Council, the province has satisfactorily fulfilled the task of making an itemized report on sampling in advance of the fourth provincial census with computers. In this itemized sampling report, a total of 3,998,200 persons (excluding servicemen) were involved, accounting for 10.13 percent of the total population of the province. Following is the major data of the itemized sampling report:

1. Age structure of population. The proportion of population aged 0 to 14 accounts for 23.27 percent of the total population; that aged 15 to 59, 67.73 percent; and that aged 60 or over, 9.00 percent, of which, 5.69 percent are at age 65 or over. The median age of the population is 27.88. Comparing this with the data from the 1982 census, in the past eight years, the proportion of the population aged 0 to 14 dropped by 5.45 percentage points; the population aged 15 to 29 rose by 3.85 percentage points; the population at aged 60 or over rose by 1.60 percentage points; and the population at aged 65 or over rose by 0.89 percentage point. The median age of the population rose by 4.28.

2. Employment situation of population. (Employed population refers to the persons with fixed jobs on 1 July 1990, the persons without fixed jobs but having temporary jobs on 30 July, and the persons engaged in social labor for more than 16 days in June and those who received remuneration or business income. Unemployed population refers to students attending schools, persons managing household affairs, persons waiting to enter higher level schools, persons awaiting jobs in cities and towns, persons who are retired, have left their posts, or have quit jobs, and persons unable to work.) Among the population aged 15 or over, the proportion of the population who are employed is 73.90 percent, and that of

unemployed is 26.10 percent. Of the unemployed population, the proportion of students is 5.21 percent; persons engaging in household affairs, 10.31 percent; persons waiting to enter higher level schools 0.19 percent; persons awaiting jobs in urban areas, 0.98 percent; persons who are retired or have quit jobs, 5.69 percent; persons unable to work, 3.11 percent; and the rest, 0.61 percent. Compared with data from the 1982 census, in the past eight years, the proportion of employed population rose by 4.03 percentage points; that of students rose by 0.45 percentage points; that of persons engaging in household affairs dropped by 5.43 percentage points; that of persons waiting to enter higher level schools rose by 0.02 percentage point; that of persons awaiting jobs in urban areas dropped by 0.19 percentage point; that of persons who were retired or quit jobs rose by 2.32 percentage points; and that of persons unable to work and others dropped by 1.29 percentage point. Of the population employed by different industries, the proportion of the population employed by primary industry is 48.81 percent; that by secondary industry, 31.53 percent; and that by tertiary industry, 19.66 percent. (Primary industry refers to agriculture, forestry, animal husbandry, and fisheries; secondary industry refers to industries and construction; and tertiary industry refers to geological survey and prospecting, communications and transportation, postal and telecommunications services, commerce, catering, the supply, marketing, and storage of goods and materials, real estate management, public utilities, residential services and consulting services, public health, sports, and social welfare services, education, culture, art, radio and television broadcasting services, scientific research and comprehensive technology services, banking, insurance, state organs, political party organs, and social groups.) Comparing data from the 1982 census, in the past eight years, the proportion of population employed by primary industry rose by 2.82 percentage points; that by secondary industry dropped by 4.86 percentage points; and that by tertiary industry rose by 2.04 percentage points.

3. Marital state of population. Of the province's population aged of 15 or over, the unmarried population accounts for 20.86 percent; the population with spouses

accounts for 73.35 percent; the population bereft of spouses accounts for 5.06 percent; and the divorced population accounts for 0.73 percent. Comparing data from the 1982 census, in the past eight years, the proportion of unmarried population dropped by 8.32 percentage points; the population with spouses rose by 8.53 percentage points; the population bereft of spouses dropped by 0.51 percentage points; and the divorced population rose by 0.30 percentage point.

4. Fertility of women. The fertility rate of the province's women in 1989 was 1.51, a drop of 0.23 from the 1981 figure of 1.74.

In 1989, among women of child-bearing age, the proportion of women bearing their first child was 73.89 percent, that of women bearing second children was 22.09 percent, and that of women bearing third children or more was 4.02 percent. Comparing with 1981, the proportion of women bearing first children rose by 2.25 percentage points, that of women bearing second children rose by 33.13 percentage points, and that of women bearing third children or more dropped by 5.38 percentage points.

In 1989, women's average age of having first children was 24.31, of which, the average age of having first children of rural women was 23.61.

In 1989, the peak child-bearing age of the fertile women in the province was 23, and the child-bearing rate was 197.68 per thousand. Compared with 1981, the peak child-bearing age of the province's women was three years younger, and the child-bearing rate dropped by 76.15 permillage point.

5. Residential pattern of population. During the five years from 1 July 1985 to 1 July 1990, 3.41 percent of the province's total population changed their permanent residences. Of them, 47.82 percent moved from rural areas to urban areas, 3.00 percent moved from urban areas to rural areas, 40.05 percent moved from urban areas to other urban areas, and 9.13 percent moved from rural areas to other rural areas.

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